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Security forces at Esenboga airport move the body of an Armenian terrorist killed in the shooting.

Armenians Kill 8 and Wound 74 In an Attack at Ankara's Airport

ANKARA — Two Armenian guerrilla organizations to avenge not released within seven days. It terrorists folled up to eight persons the massacre of an estimated said the Armenians were being and younded 74 in an attack on Ankara's Esenboga airport Saturday before being overwhelmed by , denies that there was such a mas-

Martial law authorities in Tur- Armenia is now divided between key said six persons, including Turkey, the Soviet Union and three policemen, an American Iran woman and the airport manager, were killed by the terrorists during the two-hour shooting spree in the crowded international lounge.

But doctors at an Ankara hospital said Erdogan Batisiner, the airport manager, was the eighth person to die. They said two others wounded in the raid were in comas. The discrepancy between the official figure and the doctors figure was not explained, but it appear caused by official reluctance to acknowledge police losses.

Security forces killed one terror-ist, and a simplest was wounded and captured while trying to escape, a communique from the an-

Newspapers and news agencies out the death toll as high as 12. The Anaiolian News Agency, quoting witnesses, said a West German man also was killed.

The Beinnt-based Armenian Se-

cret Army for the Liberation of Armenia claimed responsibility for the attack. Police said the two terrorists entered the country last month on separate commercial flights from Damascus, Syria.

The communique from the martial law authorities said the terrorists entered the passenger lounge as passengers were waiting to pass through passport control. They harled bombs and opened up with a submachine gun and when the security forces returned fire, the terrorists ran into the sirport cafeteria and took hostage 15 persons there, the communique said. Tried to Escape

The American identified by Anatolia as Jean Gifford Bosworth in her 60s, was killed by a terrorist as she tried to escape, the Officials identified the wounded

Gardena region, where Mr. Pertini terrorist as Levon Ekmekciyan, who was carrying a French passport. The dead terrorist was not identified.

head of state, has saved Mr. Spadolini's government several times The terrorist group made bomb attacks on Istanbul and Ahrara in the past 13 months, but he was distinctly pessimistic and abrupt airports in 1977 and 1986, but its when he descended from his plane Saturday morning on his return to ign has been mainly against Turks living abroad.

"I do not have a magic wand," he said. "Even if people like to say, Twenty-two persons, most of them diplomats, have been killed Mt. Etna Gives Off Smoke

when things get tough, 'Now it's Pertini's chance.' On Monday, Mr. Pertini will bezin consultations with former pres-

idents and parliamentary and party leaders to try to form a new gov-The austerity plan defeated on Wednesday would have severely that the Socialists exploited the

600,000 Armenians in eastern Turkey during World War I. Turkey the Armenian cause.

The group also said it would make attacks in the United States, Canada, France, Britain, Switzer-land and Sweden if 85 Armenians

ROME — The coalition government of Premier Giovanni Spadol-

cialist Party's withdrawal of sup-

The future of Mr. Spadolini's five-party coalition, which came to power in July, 1981, was thrown

The Vatican's bank and its president figured in a U.S. investiga-

into doubt last week after the

Chamber of Deputies, the lower

house of Parliament, unexpectedly

scrittled plans to cut billions of

dollars from the country's tower-

After the government's resigna-tion, Bettino Craxi, 48, the leader

of the Socialist Party, called on Mr. Spadolini to face the "political

Mr. Spadolini, the leader of the tiny Republican Party who was the first non-Christian Democrat to

serve as premier since World War

II, submitted the resignation when

ter talks Friday with President Sandro Pertini in the Alpine Val

was vacationing.
Mr. Pertini, 85, Italy's Socialist

returned to Rome Saturday af-

tion a decade ago. Page 2.

ing budget deficit.

consequences.

held on false charges of assisting

Italian Coalition Quits

After Socialists Pull Out

In Athens, an anonymous woman who telephoned news agencies said "Suicide Squad Pierre Kioulumian" made the attack. This appeared to be a reference to Pierre Gulumian, 23, a Frenchman of Armenian descent killed in an explosion in a Paris suburb on July 30.

sion and would have curtailed tax

benefits enjoyed by the country's petroleum industry.

ernment, protesting what they said was a betrayal of the austerity bill

voted against the measures. The Socialists were the second biggest

party in the coalition and are the

third largest political party in the

Mr. Pertini asked Mr. Spadolini

country after the Christian Demo-crats and Communists.

to head Italy's 41st postwar government in 1981, after the government of Premier Arnaldo Forlani

stumbled over scandals involving a

secret Masonic lodge.

Italy was in the midst urban ter-

rorism and faced such difficult in-

ternational decisions as whether to

support plans by the North Atlan-

tic Treaty Organization to increase

The country was also racked by

an economic crisis, as the world-

wide recession spilled over into It-

aly's economy.

A former history professor and

journalist, Mr. Spadolini, 57, was known as an intellectual of upright

character. He served as minister of

culture and of education before be-

coming head of the party in 1979

cant successes in the fight against

terrorism, and he also mustered

His government made signifi-

and, two years later, premier.

nuclear armaments in Europe.

Christian Democrats who

Seven Socialist ministers in the

'Angry' Reagan Reassesses U.S. Ties in Mideast

By Bernard Weinraub

New York Times Service
WASHINGTON — U.S. officials say that the Reagan adminis-tration has undertaken a "compre-hensive assessment" of U.S. rela-tions in the Middle East and has found "very profound differences" with Israel that could affect military and economic ties.

At the same time, officials said, the United States was seeking "fundamental changes" from such nations as Jordan and Saudi Arabia in terms of their refusal to sup-port the Camp David agreement.

To U.S. officials, the potential departure of the Palestine Liberation Organization from Lebanon offers "opportunities for a break-through" in terms of Palestinian self-rule negotiations.

"A comprehensive assessment on how to proceed with the peace process is going on," an official said. "The question is how to take advantage of our leverage with all countries in the region in order to achieve a hreakthrough in the peace process."

U.S. officials said that the scale of the Israeli attacks affecting the civilian populace in Belrut in recent weeks, and the move last week into West Beirut, has stirred vehement reactions within the administration. The mood of President Reagan was described as "extremely angry.

Aides said that Mr. Reagan was especially frustrated because he had, in vain, publicly and privately implored the Israelis not to shell

And since the Israeli thrust into West Beirut early Wednesday, Mr. Reagan has received a spate of private messages from Philip C. Habib, the special U.S. envoy, saying he found it virtually impossible to negotiate the withdrawal of the trapped Palestinan guerrillas while the violence accelerated.

U.S. officials said that in recent days there had been "enormous antagonism and anger on both sides" — Mr. Habib's relationship with the Israeli defense minister, Ariel Sharon, is said to be frosty and that, on the assumption that the PLO leaves Lebanon and the Israelis depart, the tensions will remain in U.S.-Israeli relations.

There are "very profound differences" on the issues of Israel establishing settlements in the occupied West Bank and dismissing elected Palestinian mayors in the West Bank and Gaza Strip, according to a U.S. official. Major differences have also arisen over "definitions of moderation," and U.S. support and arms shipments to Saudi Arabia and Jordan, nations that have refused to recog-nize Israel, the official said,

The Israeli ambassador to the United States, Moshe Arens, said Saturday: There may be some people who find Saudi Arabia and Jordan more democratic, and better allies, than Israel for the United States, but I'd he surprised."

He said that the issues of the West Bank and Gaza, and Pales-(Continued on Page 2, Col.6)



A West Beirut woman, carrying belongings in a suitcase and a shopping bag, ran from her residence Sunday, followed by her husband. A car was waiting to take the couple to East Beirut.

Begin, in Shift, Reported Willing To Let Some PLO Rebels Delay Exit

Compiled by Our Staff From Dispatches
JERUSALEM — Prime Minister Menachem Begin, in a major softening of Israel's position, said Sunday that Israel was willing to let between 2,000 and 2,500 guerrillas of the Palestine Liberation Organization remain in Beirut until a multinational force was installed in the capital, Israel Army radio reported.

The report said that Mr. Begin would agree to the move only if he received written assurances from

Lebanese Army, would force the guerrillas to leave if they refused to do so after the multinational force took up positions,

Should the multinational force fail to move the remaining PLO fighters out, it must leave Lebanon and allow the Israeli Army to do the job, the report said, quoting Mr. Begin without mentioning

where or when he spoke
Mr. Begin received "an important letter" Sunday from the U.S. secretary of state, George P. Shultz, on the negotiations for the PLO pullout, the Israeli Cabinet said in a brief communiqué. It said that the ministers discussed the proposals but did not reveal their

Sharon Pessimistic

In Beirut, the Israeli defense minister, Ariel Sharon, said earlier that no deal was possible to get the Palestinian guerrillas out of Beirut ing to give them refuge. Speaking on Israel Army radio

after meeting with Philip C. Ha-hih, the U.S. special envoy, Mr. Sharon said that whatever happened, "in my opinion the terrorists are on the verge of being rooted out of Beirut in one way or an-

Mr. Sharon said that the Arah refusal to accept the guerrillas was the main problem, "and therefore there is no arrangement, agreement or deal possible at the

Mr. Sharon said that Israel's worry was that the multinational force, which under the latest proposals worked out by Mr. Habib would take over West Beirut as the

the United States, Italy and PLO left, might serve "as a shield France that they, together with the ter-Lebanese Army, would force the rorists could go on functioning in Beirut.

Israeli officials interviewed on U.S. television Sunday also voiced doubts about an agreement on the PLO evacuation.

Yitzhak Shamir, the Israeli foreign minister, said from Jerusalem that important issues remained to be worked out. And the Israeli am-bassador to the United States, Moshe Arens, accused the PLO of stalling for time and not negotiating in good faith.

Egyptian Denial Despite these doubts about get-

ting the guerrillas out hy diploma-cy, other senior Israeli officials expressed guarded optimism in light of the reported willingness of Jordan and Iraq to accept PLO fight-

Lebanese government officials said Saturday that Syria and Egypt had informed Mr. Habib that they, too, were prepared to accept some of the guerrillas in Beirut.

But the Egyptian foreign minister, Kamal Hassan Ali, said Sunday that Egypt had not softened its position. "Egypt affirms anew that it absolutely will not accept the Palestinians departing Beirut except in the light of an overall solution to the Palestinian problem," Mr. Ali said. "All reports to the contrary are not true."

Israeli officials said Saturday that Israel had received the first "substantive" proposal for the withdrawal of the guerrillas.

The PLO message was relayed Saturday by Mr. Habih, marking the first time that Israeli officials acknowledged receiving concrete

(Continued on Page 2, Col.6)

U.S. to Expand Arms Sales in Effort to Advance Policies

By Richard Halloran New York Times Service

WASHINGTON - The United States, having begun to increase military aid and arms sales abroad, is planning to expand them steadily through 1984 and beyond in an effort to gain political influence and access to foreign bases, ac-

necessary support for a decision to station medium-range nuclearcording to senior officials. The officials say that more fitipped cruise missiles at a NATO nancing will be sought to extend base to be built near Comiso, Sicireater assistance to more nations, to transfer more advanced weap-ons, to provide more efficient aid The vote Wednesday hy the Chamber of Deputies that scuttled and to widen the kinds of assishis economic plan was caused, it is widely believed, by the parties'

tance rendered. fear that the austerity program Security assistance is the key to might lead to a serious crisis in the Defense Department implementafall if it failed to reverse the econotion of conventional regional strategies," says Defense Guidance, the my and unemployment continued entagon's five-year plan for the armed forces and related agencies. In particular, the officials assert, But it seemed clear Saturday

selling arms to allied or friendly

nations builds up the total military

against the Soviet Union or other adversaries. The United States, they emphasize, cannot do that

Premier Giovanni Spadolini, right, leaving the Quirinal Palace after delivering his resignation.

The officials say the Defense Resources Board, the Pentagon's top executive committee, is still trying to set a dollar figure for prorams to be financed in the 1984 budget. They note the \$6.8-billion figure for this year and the \$8.7 billion requested for 1983 and say they plan to continue the upward

Increases Expected

In addition, the officials say, government cash sales of arms are expected to increase from \$8.7 billion this year and commercial weapons exports are estimated to rise from \$1.8 billion this year and \$2.1 billion in 1983. But Democrats in Congress, ac-

cording to congressional aides

KGB, Widening Its Net, Arrests Dissidents From the Youthful Elite

force that could be brought to bear aware of the administration's intentions, are preparing to make a political issue of the program. The critics assert that an increase in weapons sales will intensify the arms race with the Soviet Union.

> To assist the Democrats, the staff of the Senate Democratic Policy Committee is finishing a study on arms sales policy that, staff aides say, will suggest that the administration is violating the Arms Export Control Act The administration has sought

to pre-empt the opposition by releasing reports contending that the Soviet Union has become the world's leading arms seller and that the United States lags well be-Officials say the United States

has been undeterred by the way arms-purchasing nations have employed advanced weapons in conflicts in the Falklands, Iran, Iraq

"We are not going to be indis-criminate," an official said, "but we will continue to assist friendly nations. The administration, according

to a new report from the General Accounting Office, a congressional investigative agency, has proposed large increases in credits for military sales in 1983 to South Korea, Thailand, Jordan, Morocco, Tunisia, Spain, Portugal, Turkey, Kenya, Liberia, Somalia, Sudan, Zaire, the Dominican Republic, El Salvador and Honduras. New credits have been proposed for Pakistan.

In all cases, officials say, the administration is seeking to increase political influence, to gain or hold access to bases, to assist nations threatened with internal or exteraggression or to counter a nearby Soviet presence.

Congressional staff aides say the Democratic policy analysis being prepared will contend that such eapons give developing countries military options not open to them before and lessen the ability of the United States to control events.

But administration officials brush aside that charge by arguing that the Soviet Union, France, Israel or some other competitor will make the sales if the United States does not. The officials say the Russians had 19,590 military advisers and technicians in developing countries and was training 11,230 foreign military personnel in the Soviet Union in 1981.

Officials suggest that even more advanced American weapons will be sold. Fighter planes such as the General Dynamics F-16 have become popular and Northrop is eager to sell its new F-5G Tigershark, which has been developed for export. Officials say that Jordan, Oman and other nations around the Gulf are likely markets.

INSIDE

proaching Etna's main crater.

United Press International

CATANIA, Sicily - Black

smoke rose from Mount Etna Sun-

day but scientists said it was too

soon to tell if another eruption was imminent. Police barred tourists

and mountain climbers from ap-

President Reagan is warning his allies in Congress that failure to pass tax increases this year would be "devastating" to the economy and to Republican election prospects, according to administration officials. Page 3.

The Chinese termis star whose defection in California last month touched off protests by Peking may have sought asylum because she had come under political at-Page 5. tack in China.

M Supreme Court Justice. John Paul Stevens, in a highly unusual airing of the problems of the court, has called for what amounts to a divestiture of major chunks of the court's power. Court analysis called his remarks one of the most important self-criticisms by a Supreme Court justice in recent years. Page 3.

Pakistan's economic devel-

By Robert Gillette Los Angeles Times Service

penalized such professionals as failed vote to topple the govern-

doctors and lawyers for tax eva- ment and force new elections.

MOSCOW - State security forces, having all but snuffed out the Soviet Union's tiny, vocal groups of human-rights activists, now appear to have opened a new phase in the long campaign against dissent with a wave of arrests aimed at obscure political and religious groups that have had virtually no contact with the West.

The arrests, which the official press has not reported, have shed light on a previously hidden facet of Soviet dissent. The sweep by the KGB secret police has caught up a number of young, elite intellectuals, who are said to have formed clandestine "socialist discussion groups" sympa-thetic with Communist parties in Western Europe and "new left" thinking in the West.

According to reliable unofficial sources, members of the groups - some with ties to a leading foreign policy research institute advising the Soviet Communist Party's Central Committee circulated underground articles on subjects ranging from events in Poland to the Soviet Union's

troubled economy. Members of the so called "vouns Socialist" ers. Although little is known about them, most are said to be under age 30.

The participation of the youthful elite, some of whose members are the sons of distinguished party members, in illicit political discussion groups is undoubtedly troubling to the authorities. Given the risks the members took, it suggests deep alienation from orthodox Soviet communism within the strata of privileged Soviet youth with the best chance of someday becom-

ing government officials.

The clandestine nature of the discussion groups, as described by dissident sources, also suggest that they have learned a lesson from the KGB's ruthless campaign over the past 15 years to suppress human-rights advocates who spoke out openly for democratic reforms in the vain hope that Western publicity would protect them.
"Before, people looked for recognition, sup-

not," a respected intellectual said. He added that, by contrast, most of those arrested recently "are not looking for meetings with foreigners and foreign correspondents, Just the opposite. They want to be quiet. They don't want to be a conspiracy, but they are being -

posing that it would protect them, but it did

pect to have begun on April 6 with at least 13 arrests in Moscow, Leningrad, Minsk and Kiev and police searches of about 50 apartments in Moscow alone. Arrests and searches have continued sporadically since then.

The sweep has embraced a wide spectrum of people. In addition to the young Socialists, dissident sources said, those arrested or searched include pacifists, right-wing Russian nationalists, "consumer activists," young lawyers, members of religious groups and members of Smot, a loosely knit independent trade-union movement whose leaders are now mostly imprisoned in labor camps and psychiatric institutions.

Some sources suggested that the KGB is warning dissidents it once ignored and arresting those it once merely warned, now that virtually all the major human-rights activists are in prison, labor camps or internal exile. The KGB's Department of Political Investi-

gation has 200 investigators," one intellectual said. "If there are no dissidents, do you close the department? No, you keep on working. There exists a net. So you keep catching." Gauging by the charges against some of them, however, the young Socialists would appear to ported to be in custody in Moscow's Lefortovo Prison on charges of anti-Soviet agitation and propaganda, an offense carrying a maximum penalty of seven years in prison and five more in internal exile. Two other young Socialists under arrest are said to have held research jobs in the World Eco-

nomics and International Relations Institute in Moscow, which advises the Soviet party's Central Committee on foreign policy issues.

Sources said they are accused of illegally copying Russian translations of speeches by European Communist leaders, notably those of Santiago Carrillo, the Spanish party chief. Mr. Carrillo has bitterly criticized Moscow for its role in suppressing Poland's independent trade-union movement, and he maintains that the Soviet Union has failed as a political and economic model for the rest of the world.

Some of those arrested since April are believed to have helped produce a little-known underground journal called Varianti, which has circulated in Moscow since 1977.

Shortly before the KGB crackdown began, the leftist French journal L'Alternative published an interview with the anonymous editors of Varianrepresented "groups and individuals of a social-democratic, Socialist and Eurocommunist orientation," all of which Soviet ideologists regard as Dissident sources in Moscow said that these

groups appear not to be reform-minded activists but merely intellectuals trying to keep abreast of Western leftist political thinking.

"It is no danger or threat to the authorities, of course, but still they consider it a threat," a source said.

Peace Activist Held

MOSCOW (Reuters) - Sergei Batovrin, one of the founders of an independent Soviet peace group, is being held in a Moscow psychiatric hospital after being detained Friday, friends said

They said the police had accused him of evading military service despite his protests that he was exempt for health reasons.

In June, Mr. Batovrin, 25, and 10 other intellectuals formed the Group for the Establishment 1. of Trust Between the USSR and the USA, which calls for closer cultural and social ties to increase.

Vatican Bank Figured in '73 U.S. Organized Crime Probe

By Robert J. Cole

New York Times Service

NEW YORK — The president
of the Vatican's bank, whose name has come up in Italy in connection with the collapse of Milan's Banco Ambrosiano and the investigation surrounding the collapse, also figured in an investigation a decade ago by the U.S. Justice Department's organized crime strike

By Richard Eder

New York Times Service

the troubles that have been fermenting all year, go off on boliday and reckon that, come September, there will be the devil to

By all indications, August could not have

come too soon to suit President François Mitterrand. A bard spring has given way to a

The president's popularity polls, remarkably steady until recently, have taken a sharp plunge. And the other day, Lionel Jospin,

plunge. And the other day, Lionel Jospin, Mr. Mitterrand's protègé and the secretary-general of the Socialist Party, predicted "dreadful" years ahead for the party.

Almost since they took office 14 months

ago in a burst of pride, but not quite believ-ing their own success, the Socialists have en-

countered hard going. Some of it was be-queathed to them, some was of their own

making. But until recently their difficulties,

mostly economic, were counterbalanced by political self-confidence and Mr. Mitter-

rand's instinct for judging political moods

It is this political instinct that shows signs

of unraveling. The president's talent for

gauging the preoccupations of a good number of the French seems weaker. There is a

sense that things are getting on top of him. Increasingly this is being remarked upon even by newspapers and commentators sympathetic to him. Associates are beginning to

be quoted, anonymously, as saying they are

Parade Reviewed

During the Bastille Day festivities on July 14, the president wound up an elaborate and strentious program by riding down the Champs-Elysées to review a floodlit military

concerned about his temper and energy.

movement if efforts fail to res-

chedule a stalled conference of the

ments to Western reporters cover-

ing efforts to get the OAU summit

meeting started. The conference

failed to open on schedule Thurs-

day because of the lack of a two-thirds quorum of 34 nations.

Earlier Sunday. OAU and Li-

byan officials announced that the

summit was being postponed. The

delay was caused by a boycott by

countries opposing the admission of the Saharan Arah Democratic

Republic, which was proclaimed Polisario guerrillas fighting hy Polisario guerrinas nguinas Morocco for control of the West-

ern Sahara, as the OAU's 51st

bya. Mali. Congo and Zamhia were given the task Sunday of per-

suading moderate African nations

to attend a rescheduled summit in

Col. Qadhafi told reporters that

if a quorum was not reached for

the new summit, the nations now

represented in Tripoli "will meet

again in Libya to decide on the

quorum is reached, the 30 states

will have a decision to take as re-

The Libyan leader also said he was delighted with the presence of

23 beads of state among those who

came in Tripoli.
Col. Qadhafi had been sched-uled to take over as OAU chair-

man at the summit meeting from President Daniel Arap Moi of Kenya Asked if he were disap-

pointed at not becoming chairman, Col. Qadhafi replied: "I am not disappointed at all, but rather

proud of the large attendance of heads of state. We are proud to be

supported by so many."

Conference sources said Presi-

dent Julius Nyerere of Tanzania

and President Kenneth Kaunda of

Zambia had been resisting Libyan pressure to set up a breakaway movement within the OAU.

The sources said there were disa-

greements among the nations at-

tending over whether a res-cheduled summit meeting should

be held in Tripoli, with many leaders arguing that there was little

It was the first time since the organization was formed 19 years ago that it failed to get a quorum.

chance of getting a quorum there.

gards the future" of the OAU.

Col. Qadhafi said: "If no

Tripoli as soon as possible.

continent's future."

The presidents of Tanzania, Li-

member.

Col. Qadhafi made the com-

Organization of African Unity.

and for political timing.

worse summer.

PARIS - In August the French set aside

who became a New York lawyer after leaving the strike force, said no credible evidence had ever been found to implicate the bank, officially known as the Institute for

force, the former head of the strike force is New York office said.

However, William I. Aronwald, who became a New York lawyer dentified European businessmen to borrow money on counterfeit stocks and bonds of U.S. corpora-

Mr. Aronwald said that Arch-Religious Works, or its president, Archbisbop Paul C. Marcinkus.

bishop Marcinkus had denied any knowledge of the scheme or that The investigation centered in either he or the bank had been in-

Mitterrand Showing Signs of Floundering

Questions Raised About Hesitation During Hard Times

ately issued statements denouncing the booing as an insult to the president and, in one case, implying that it had been seditious.

As a number of commentators pointed

out, this turned a minor incident into a ma-

jor affair. According to several reports, fur-

thermore, the oddly excessive and simultane-

ous protests were made at Mr. Mitterrand's

suggestion.
It left the impression of a considerable loss of cool by a leader who has owed much of

NEWS ANALYSIS

his popularity to his possession of it. Until recently he bad managed to appear calm

without blandness, pungent without aggressiveness and paternal without condescen-

More than most peoples, the French think of their society in political terms. More than in most democratic countries, including the

United States, politics under the constitution

of the Fifth Republic of France focuses on

the choices, the style and the effect of the

The victory of the Socialists last year, after

quarter-century of government hy conserv-

ative groups, was a mandate for change. The

question of what sort of change never was clear. At a minimum it registered a sense

that the conservatives had been in power

long enough. But the Socialists' words about

social justice and the loosening-up of a soci-

ety that was both stratified and rigid clearly

Yet there was no agreement among party factions on what the Socialists' program

meant. With this lack of definition, and with

a party organization that lacked any solid

structure or clear hierarchy, the program

It is not only that the mistakes and

came to mean François Mitterrand.

raised real bopes.

the archbishop in the Vatican in early 1973 to discuss the investiga-

The disclosures are also to be part of a book, "The Vatican Con-nection," by Richard Hammer, whieb will be published in the fall. As related by Mr. Aronwald, the Manhattan District Attorney's off-

so many mistakes have accumulated that re-vulsion develops.

Mr. Mitterrand has by no means reached

that point. What is beginning to burt him is the hesitancy and occasional awkwardness of

Times were uneasy, if not actually hard,

when the Socialists took over. The unem-ployment rate was 8 percent to 9 percent, the

annual inflation rate was close to 14 percent and economic growth had nearly stopped. The Socialists offered a great many things: growth, employment, a redistribution of in-

come, decentralization of government, popu-

The choices were agonizing for the Socialists and Mr. Mitterrand, who began with ex-

pensive changes such as the nationalization

of most banks and some industries. Then, confronted with searing inflation and a col-

lapsing franc, they had to switch to austerity.

And bere Mr. Mitterrand seems to have lost

his sense of sureness.

The president left it to Prime Minister
Pierre Mauroy to announce the radical num-

about; a wage-price freeze, a tight budget

Reaction Dour

The reaction, though still tentative, has been dour. The unions have hinted at strikes

in the fall — there have been remarkably few in the past year — and businessmen have

said they will have nothing to invest.

The August break will probably smooth over the general irritability left by Mr. Mit-

terrand's conduct in office. But it will not do

much of itself to obliterate the sense of

floundering.

The president's besitations may be the pre-

lude to a new decisiveness, to making the

logical follow-up to the government's auster-

ity program with a genuine national appeal

This would involve not only being certain

lar culture and a new life.

and sacrifice all around.

his reactions.

volved. The former strike force of-ficial said he and others met with the archbishop in the Vatican in downtown bar, running up evidence that stolen and counterfeit stocks and bonds were being transported overseas. Mr. Hogan's office then turned to the strike force for help, at which point the FBI was brought in.

Mr. Aronwald said Friday that he no longer remembered bow the archbishop's name emerged in the "There was no question but that we were interested in Marcinkus." He said be had heard from others that the forthcoming book will imply that the administration of Richard M. Nixon might have

added, "nobody ever pressured me to lay off." Early in the investigation, wiretapped conversations established that Vincent Rizzo, said to be a member of the Vito Genovese organized crime family, was going to Munich to talk to two West German industrialists who owed him

quashed the investigation but, he

several million dollars. French Housing Development

As Mr. Aronwald recalled the details, Mr. Rizzo had lent two industrialists stolen securities of the Coca-Cola Bottling Co. of Los An-geles and possibly the Chrysler Corp. to use as collateral for bank loans to finance a housing devel-opment in the south of France.

Other wiretaps placed in the Munich botel, he added, established that the businessmen agreed to a repayment plan, but they did not make good.

At that point, Mr. Aronwald said, Mr. Rizzo returned to Munich, this time with his superior, Matteo dellorenzo, reputed to be a high member of the Genovese fam-

Mr. Aronwald said that Mr. Riz-zo threatened the Germans with physical harm if they did not repay, but because few of the second round of conversations took place at the Munich botel, little new information was uncovered in the wiretaps.

Both organized crime figures pleaded guilty to interstate transportation of stolen securities and were sentenced to jail terms. Still seeking new leads, other law enforcement officials were sent to West Germany to question the two industrialists, who implicated other Europeans.

Larger Plot Seen

Mr. Aronwald said that in his estimation a picture began to emerge of plans going far beyond stolen securities, involving an attempt to counterfeit about \$900 million in securities. "A substantial part of these

securities supposedly were earmarked for the Vatican bank," he said. He added that, if the assump-tion could be made that the information was correct, the question then arose whether the Vatican's hank was "the victim of a rip-off" or "were these people at the Vati-can hank culpably involved."

He said the strike force had a problem in pursuing these Vatican bank allegations, and that while it could not ignore them, it had no credible evidence to act ou.

"We had exhausted every inves-tigative lead we had," he said, "and had not determined whether the Vatican bank was involved, as a victim or otherwise."

Front-Line States **Decry Cuban Issue** In Namibia Talks

TRIPOLI, Lihya — A group of African leaders have called on Western nations trying to find an acceptable formula for the independence of South-West Africa

(Namibia) to stop raising the issue of Cuban troops in Angola Foreign Minister Salim Mohammed Salim of Tanzania quoted the leaders as saying that the prospects for negotiations were "bright," provided parties to the talks reframed from raising the is-

sue of Cuban troops. After the meeting here of the front-line nations - Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe - Mr. Salim said the question of Cuban troops was not related to a call by the United Nations Security Council for the independence of Nami-bia. "Such side issues can only

impede negotiations," he said. The responsibility right now whether or not we get a negotiated settlement, lies with the South African regime," he said. He added that it is the responsibility of the five Western nations — the United States, Canada, Britain, France and West Germany - "to use their influence to see that negotia-

tions come to a conclusion." Mr. Salim said the African leaders had "agreed on a series of ac-tions, but declined to go into de-tails. Also at the meeting was the leader of the South-West Africa Peoples Organization (SWAPO), whose guernilas are lighting South African rule over the former Ger-

Bombs Set Off in Spain Near 2 U.S. Businesses United Press International

MADRID - Two small bombs

not believed to have been connect-

ed to the other explosions, the po-

exploded outside the Bank of America in Madrid and outside the Sears department store in Barcelona early Sunday. Police offi-cials speculated that they had been United Press International the work of Palestinian groups angered by the U.S. position in the Beirut conflict. A third bomb went off early Sunday near a Spanish naval pa-trol boat docked in the Basque re-

gion of northern Spain, but it was The 251-ton Hasrat Mulia ferry,



Israeli opponents of the war in Lebanon marching on Saturday in Tel Aviv.

2,000 in Israel Ask Pullout From Beirut

TEL AVIV - Abont 2,000 anti-war protesters marched in Tel Aviv on Samrday, calling on Prime Minister Menachem Begin to withdraw Israeli troops from Beirut. Israeli television said the demonstration was or-

ganized by the leftist Committee Against the War and included Palestinian Arabs from the occupied West Bank of the Jordan River.

The marchers carried signs reading, "Start Ne-gotiations With the PLO" and "Israel-Palestine: Two States for Two Peoples."

No disturbances were reported as the demonstrators marched down a busy Tel Aviv thoroughIn a separate protest Saturday, several members of a group called Citizens Against the War began a bunger strike across from Mr. Begin's office in Jerusalem, the television said.

Israeli troops invaded southern Lebanon on June 6 to drive out the Palestine Liberation Organization. Thousands of PLO guerrillas are rapped in the besieged Lebanese capital as negotiations for their evacuation continue.

An anti-war demonstration July 3 organized by the Peace Now movement drew 50,000 to 70,000 participants. But another demonstration two weeks later in support of the government's policies drew 250,000 people.

Reagan Reassessing U.S. Ties in Mideast

(Continued from Page 1)

tinian self-rule negotiations, "are not very important issues right now, they have not been discussed since the Israeli operation in Leba-non," which began two months

Mr. Arens conceded that there was some "anger" in U.S.-Israeli relations, and said that "the disagreement is whether turning the screw advances the negotiations or you need a quiet environment."

"It was strictly anger in the context of very close strategic cooperation," he said. "I think relations will get better, our relations are hased on common interests."

If you look at what has happened, the Russians have been given a kick in the solar plexus." The Israeli ambassador voiced some pessimism, however, about

the possibility of a quick success to the Habib mission, and a PLO withdrawal "It's not at all clear what countries will take them," he said.

There are nine or 10 organizations connected to each other that don't accept Arafat." he added, referring to Yasser Arafat, the leader

Although U.S. officials said that the relationship with Israel could

Begin Softens **Pullout Stand**

(Continued from Page 1) suggestions for withdrawal from

the U.S. diplomat.

"For the first time we could say that there may be something here after all," a senior official said of the message. "Today, Mr. Hahib probably has increased the chance f pulling it off."
The officials curphasized, how-

ever, that Israel remained skeptical of PLO intentions and said that proposals relayed by Mr. Habib did not contain a timetable for withdrawal, which Israel has demanded as a sign of good faith by the Palestinians. They dismis reports from Beirut that an evacuation could begin as early as Mon-day, saying that even if there were final agreement it would take "two or three days" to work out technical aspects of the withdraw-

Since the start of the Israeli siege, most officials have said that there were about 6,000 PLO fighters who would have to leave. It now appears that the number is closer to 9,000, Lebanese government sources said.

Drinking water was restored to the city for the first time in two weeks, but electricity remained off There were sporadic artillery and machine gun battles Sunday along the confrontation line separating the Palestinians and the Israelis in the city's southern suburbs and the near-devastated city center.

French Troops Ready

PARIS (UPI) — A French troop ship was anchored Sunday off Lar-naka, Cyprus, to dispatch immediately the first contingent of French troops to Beirut as soon as any agreement is reached in Lebanon on a multinational peacekeeping

force, government sources said.
The officials also denied reports from Israel and Lebanon French Army officers had been sent to Beirut a day ago to discuss French participation in the multinational force.

Indonesia Ferry Sinks; 300 Feared Drowned

JAKARTA — At least 300 peo-pte were feared drowned after an overloaded ship capsized off the Sulawesi coast in Indonesia's second major sea disaster in two years, the national news agency said Sunday.

Borneo with about 400 aboard

bog down further, and that the Reagan administration could un-dertake a form of "sanctions" ranging from curtailing arms sup-plies or being "less forthcoming" about future needs, Mr. Arens said heatedly:

"We would not welcome this. It's difficult to see how it would be applied. Sanctions are applied to an enemy country. We're not an enemy of the United States. On the other hand, I assure you, it's not going to sway Israel from a course necessary for assuring its

In making its assessment of the Middle East, State Department and administration officials say that the United States is not only responding to its relations with Is-rael — which is scheduled to receive more than \$2.5 hillion in U.S. military and economic aid in 1983 — hut also with the so-called "moderate" Arab nations. U.S. officials have told Jordan that the United States is not seeking to impose on that nation the role of a Palestinian state, administration officials said.

"Dramatic changes in Lebanon provide opportunities for a break-through," an official said. The point, he said, is to get the Arah countries "to endorse and support Palestinian participation in negotiations. Opportunities do exist for Palestinians in the Camp David

WORLD BRIEFS

France Checking Pipeline Allegation

PARIS - The French government hopes to learn the results this week

of a diplomatic investigation into allegations that the Soviet Union is using forced labor to build the Siberian gas pipeline.

"This investigation is being carried out as quickly as possible by the French Embassy in Moscow," a spokesman for the Foreign Ministry said Sunday. The allegation first surfaced on June 25 when the International Society of Human Rights, based in West Germany, said the pipe

line was being built with the help of 100,000 inmates, including 10,000 political prisoners. In Moscow, Tass denied the reports on Sanday. "This dirty falsehood

deserves no denial," the agency said. "Any reasonable man will see that such a giant construction project needs the expertise and efforts of a strong industry using the latest achievements of science and technology."

Cheysson Assures India on Uranium

NEW DELHI - Foreign Minister Claude Cheysson of France said Sunday the United States has no objections to an agreement providing for the supply of low-grade enriched uranium by France to an Indian

Mr. Cheysson, on a one-day visit to India, said at a news conference that the proposed agreement will be between France and India, and he denied the United States was involved or had objected.

Under the terms of an agreement signed in 1963 by the United States and India, New Delhi promised not to buy enriched uranium for India's Tarapur plant from any source other than the United States for 30 years. The Tarapur agreement ran into difficulties after India's refusal to have all its atomic power plants opened for international inspection.

Corsicans Vote for Local Assembly

AJACCIO, Corsica - Corsicans voted Sunday for a local assembly with extensive powers to run the affairs of the Mediterranean island, the first French region to benefit from the Socialist government's program of

The island has been the scene of political violence, much of it blamed on separatists. In the latest of nearly 300 bombing incidents this year, three cars belonging to tourists from the mainland were blown un early Sunday with plastic explosives.

Police were on the alert at polling stations Sunday as dozens of magistrates from the mainland supervised the voting. The island's 206,000 registered voters faced a choice of 17 lists of candidates under a complex proportional system that the government hopes will break the traditional hold of family clans on Corsican politics.

1000年の大学学の大学学

Colombia Swears In New President

BOGOTA - Belisario Betancur was inaugurated Saturday as president of Colombia and offered the "white flag" to leftist guerrillas who have been battling the government and army for 33 years. Mr. Betancur had promised during his campaign that he would seek a truce with

The Conservative leader also said that be wants to bring Colombia into the sphere of nonaligned countries. In remarks prepared for delivery to a joint session of congress after his inauguration, Mr. Betancur said "the grouping of nonaligned nations, despite the wide range of ideological positions, brings together an immense community of states in the Third World."

Kenva Extends Surrender Deadline

NAIROBI - The Defense Department reported that a "substantial" number of air force personnel have not heeded the government order to surrender after last week's coup attempt and gave them until 6 p.m. Monday to give themselves up. It was the second extension of the government's deadline for surrender.

The announcement, broadcast by state television Saturday, assured the military personnel they would not "be mistreated or manhandled." It said those still at large included both rebels and servicemen on official

House-to-house searches of residential areas were conducted Saturday for rebels and for merchandise stolen during a looting spree that followed the coup attempt Aug. 1.

White Farmer Killed in Zimbabwe

HARARE, Zimbabwe - The second white farmer in a week has been shot to death in Zimbabwe.

Relatives said Saturday that Philip Eliman-Brown and his wife were driving home from Bulawayo, capital of the troubled province of Matabeleland, when their car was stopped by gummen. The wife was sent on, but her husband was taken captive and later shot, they said. The incident occurred Thursday near their farm about 50 miles (80 kilometers) north of Bulawayo.

At least 30 civilians are known to have been killed in attacks, mainly in Matabeleland, over the past five months. A white farmer was shot designed to carry 60, was on its dead by a robber wearing army-style camouflage in eastern Zimbabwe mine days ago. Camara d Canada a marter Philippines and

mishaps of his government are attributed to him. The French are aware that things are about his choices but also opening up the Socialists internal debates to the opinions of At several points along the way, small bad around the world and they are prepared for hardship, at least theoretically. They are groups of rightists booed him. It was not wider sectors. Until now it has been largely enough of a demonstration to be noticeable cynical, or sensible, enough not to he excesthe government and its friends arguing to television audiences, and it was mentioned sively troubled by politicians' mistakes, at least up to that hard-to-predict point where only hriefly in two opposition papers the next day. Yet three Socialist leaders immediamong themselves as to what they were going to do to the rest of the country. Qadhafi Hints Spirits Are High as Polish Pilgrims

revered national icon, the Black

Spirits were high and the pace was brisk as a three-mile-lone column stretched through Warsaw Friday at the beginning of the nine-day walk, which is the nation's oldest and holiest pilgrim-

There were children in strollers.

Traffic police and paramilitary

Reuters

New York Times Service

TRIPOLI. Libya — Libya's leadcr. Col. Moamer Qadhafi, gave totice Sunday that he was prepared to set up a breakaway African

New York Times Service

WARSAW — Singing, laughing, tens of thousands of pilgrims are marching to Czestochowa. the marchers on.

lic nation predates martial law by

manning the portable loudspeak-

ers occasionally included in their significance for this Roman Catho-

prayers those union activists who are still internees and prisoners. But the divisive politics and problems of the day were largely laid aside for an event whose spiritual six centuries.

casional marcher would dart out of

nuns with running shoes and straw hats, bearded youths in T-shirts, police dotted the route, and an ocold women carrying parasols, crip-

weeks of lohbying during a Unesco conference here, the United States

United Nations Educational, Scientifie and Cultural Organization, which ended Saturday night, called for objectivity in media coverage of developing nations, but avoided endorsing a specific "new world information order" that could be directed to the control of Western news agencies, television, advertis-

ing and publishing.

The U.S. delegation is claiming ommendations adopted by con-sensus, one urging freedom of re-ligion and belief and the other upnation of information and ideas.

However, the United States and most West European nations left deeply disappointed with the re-sults of the long conference, which was designed to exchange views and experiences to strengthen national cultural policies and explore ways of giving further administra-tive and technical assistance to developing nations.

"This has been one of the most

From July 5th through August 27th. Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC. Radio

U.S. Claims Victories At Testy Unesco Talks

MEXICO CITY - After two succeeded in blocking renewed ef-forts by Third World nations to in-crease state control over culture member of the Dutch delegation.

The two-week meeting of the

a victory in having two of its recholding free creation and dissemi-

The gathering, attended by 119 nations, was marked by acrimoni-ous exchanges and discussion of political issues that included the Falkland Islands, the Middle East. South Africa, support for liberation groups and various Third World political grievances.

CAIRO - The government bas ordered the release of 646 persons who had been detained for the last 10 months under a state of emergency proclaimed following President Anwar Sadat's assassination.

chaotic and irrelevant Unesco con-ferences I ever attended and I fear it has burt the role of Unesco as the body that sets out to be the

We achieved nothing that is Although criticism was not aired publicly, a broad range of delega-tions such as Canada, Japan, Indonesia and a number of Latin American nations felt barraged by 240 resolutions rushed through the meetings.

Greek Demands

A number of African, Latin American and West European delegates deplored the strong attack of France's minister of culture, Jack Lang, on what he called U.S. cultural imperialism. They suggest-ed that this was partly responsible for the tone of politicization and confrontation at the gathering. The American delegation decided

not to respond. Earlier, Greece's minister of culture, actress Melina Mercouri, demanded that Britain return the marbles and statues of the Parthenon in Athens, known as the Elgin Marbles, now in the British Muse-

The conference backed her demand with a resolution, although the United States and most European nations voted against it on the grounds that the issue should negotiated directly by Britain and Greece.

France, which also holds a number of important Greek antiquities, abstained on that resolution. The conference also recom-mended that Jerusalem be included on the world list of endangered cultural monuments.

Cairo Orders 646 Released United Press International

At Effort to
Replace OAU

Carry On Black Madonna's March

By Serge Schmemann ples with crutches and musicians the procession to hand them re ples with crutches and musicians the procession to hand them red

But if the current tensions were left temporarily behind, the very fact of a pilgrimage of such scope taking place in an East European country testified to the extraordinary status the Catholic Church has preserved under a government purportedly committed to atheism.

The goal of the pilgrimage is the Pauline Monastery atop a hill in Czestochowa called Jasna Gora, due south of Warsaw, where for 600 years the Black Madonna has reigned as the patroness of Poland's Catholics. After a Swedish invasion in the 17th century, King Jan Kazimierz crowned the madonna queen of Poland, the title and role the icon carries to this

271-Year History The pilgrims from Warsaw, estimated at 40,000 by church authorities, were only one of a half-dozen processions setting out from various Polish cities Friday, intent on congregating on Jasna Gora Aug. 15 to celebrate the feast of the ma-

The pilgrimage has been made for 271 years, except for years of war and occupation. By most accounts this year is drawing the largest throng in history because of the 600th anniversary of the installation of the icon in Czestochowa. That celebration, Aug. 26, was the one Pope John Paul II had hoped to attend before his visit was post-

After a 7 a.m. Mass the Warsaw group set out, led by the cross to which women would dart from the

sidelines to kiss. The marchers were divided into numbered units and subdivided into groups by color. The disci-pline was tight, with marshals keeping each group intact and separated sufficiently from the one in front to let traffic pass.

Regular Participent

In each group a portable loudspeaker led the songs and prayer, often accompanied by tambourines and guitars, giving the march a lighthearted spirit that belied the 80-degree Fahrenheit heat, the hard walking ahead and the difficult logistics of so marries. difficult logistics of so massive a

A 71-year-old woman from a village near the Soviet border said she had made her first pilgrimage seven years earlier, after the inter-cession of the Black Madonna had cured her of a leg ailment. She has made the march every year since.
"If you do it once, you do it every year," she said. Ewa Wojcik, at 19, is making

our whole nation," she explained to foreigners. "She's the one to whom we address all our prayers." "If you go once you're hooked. The atmosphere is so great. This year especially is a difficult one. with martial law and the economic problems, so the march bas a spe- lice said. No injuries were reported

مكنامن الأجل

her sixth pilgrimage.
The Black Madonna protects

Philadelphia's Mob War: Amateur Hour on the Hit Parade U.S. Justice Delivers Police Sit Back and Count the Bodies in Bloody Battles for Atlantic City's Spoils

Washington Post Service
PHILADELPHIA — They shot him eight times, but somehow could not put him away. Worse, they failed to check the rear-view mirror before they opened fire, because a climper result is a simple to the check the rear-view mirror before they opened fire, because a glimpse would have revealed a police car on routine pa-

Had they seen that, the mob hit men who gunned down Salvatore Testa, 26, soo of a late don, in daylight last week-end in a busy Philadelphia outdoor food market might have spared themselves the botched execution, the ensuing high-speed police chase, the crash into the utility pole, the arrest,

everything.

"All of the old, sophisticated guys have been bumped off."

"All of the old, sophisticated guys have been bumped off."

"All of the old, sophisticated guys have been bumped off."

and we're down to the street punks now," a Philadelphia policeman said. "It's turning into a real amateur hour."

Amateurs or not, the Philadelphia mob has been uncommonly busy of late. For decades Philadelphia was a backwater, conservative, branch-office mob operation. Now everyone is fighting for control over the gambling boom town of

In the last 28 months, two dons, one consigliere and a dozen other mob associates have been gunned down, bombed, tortured or bludgeoned.

Flowers for the Mrs.

Early in the game, some of the hits were pulled off with élan. One víctim got his from a hired gun who dressed up as flower deliveryman and presented the intended's wife with two pots of poinsettias before emptying six rounds point-

blank into her busband.

More typically, the corpses were left in an alley with asbes stuffed in the mouth. Such is the signature that separates a disrespectful hit from a respectful one within Philadelphia's image-conscious underworld.

There is an old police watchword that when the mob starts thinning its ranks, the biagest job for the cops is to

starts thinning its ranks, the biggest job for the cops is to

CHEERS FOR FIRST LADY - After speaking to a

cheering crowd of about 800 at a meeting of a private non-

profit drug-abuse program in Dallas, Nancy Reagan made

her way through the crowd. Youths bugged Mrs. Reagan,

but maybe - judging from her expression - too hard.

Reagan Voter Support

Is Eroding, Poll Finds

By Richard E. Meyer

Los Angeles Times Service
LOS ANGELES — More than a

third of the Americans who voted for Ronald Reagan for president in 1980 say they would not support

him again, mainly because they lack confidence in his economic

A nationwide survey by the Los Angeles Times Poll shows that

compared to voters still loyal to the president, those deserting him

are more likely to be blue-collar

workers and union members and

to live in the Midwest and West. In

1980, Mr. Reagan wooed many of these voters away from the Demo-

cratic Party.

The poll also shows that the loy-

alists are more likely than the deserters to be Republicans, conservative and affluent. Many concede

that the economy is in bad shape, but they support the president in

Disillusioned Voters

Republican or return to the Democratie Party is a key quescon. So

far as the economy is concerned, more than half say they dislike the

proposals of both major parties.

The survey of 1,102 persons, conducted by telephone for the

five days ending July 7, asked respondents: "Who would you like to see the Republicans nominate

Of those who voted for Mr. Reagan in 1980, including Repub-licans, Democrats and independ-

ents, only 49 percent said they

wanted him to be renominated.
Thirty-five percent said they wanted the Republicans to dump him.
The rest refused to say, saying they were too uninformed to have

an opinion or that they had not de-cided. The poll's margin of error

Reagan Defectors

Among the Reagan deserters—those who voted for him in 1980 but want the Republicans to nominate someone else in 1984—63

percent described the economy as bad. More than half — 64 percent — said they would "rather see the

unemployment rate go down, even

if that means an increase in infla-

Among the loyalists — those who voted for Mr. Reagan in 1980

and want him to be renominated

- about half also conceded that

the economy is in trouble. But 78 percent said that Mr. Reagan is

improving it. Nearly three-quarters of the de-

was plus or minus 4 percent.

for president in 1984?"

spite of it.

keep count. At least five law enforcement agencies are going to considerable expense to keep tabs on the current slaugh-

On the other hand, while there have been some isolated

convictions, there has not been any major break, nor has there been inordinate hand-wringing about it.

"A mob killing is in some ways the best of all worlds," said George Parry, head of the organized crime unit of the district attorney's office. "You get rid of a bood who won't be missed and you are given an investigative predicate to go in and find the killer. Stripped of any moral sense, it's a good deal for hiw enforcement. As a moral person, of course, I have to lament the loss of life."

Others are a bit more blunt. "As long as some little kid doesn't get blown away in the crossfire, I don't think people give a damn," a police official said.

"For the most part, I think our readers see this as something with great entertainment value," said Zachary Stab-berg, executive editor of The Philadelphia Daily News, a 300,000-circulation tabloid that swoops in after each mob killing to render the details in Rumyonesque, rat-a-tat-tat

Some depict it as a kind of underworld ethical debate between those who think the Philadelphia mub ought to move more aggressively into narcotics and prostitution, and those who would prefer to stick with loan-sharking and

The hostilities began on March 21, 1980, when Angelo Bruno, Philadelphia's don for 21 bloodless years, was shot after emerging from a late dinner at Cous' Little Italy, a south Philadelphia restaurant where the menu used to feature dishes named after leading local underworld figures.

Mr. Bruno was the sort of boss who believed in low profiles and quiet towns. The FBI has tapes of one of his underlings, the late Frank Sindone — a high-living loan shark —

complaining that his boss made him get rid of a new Cadillac for fear it would attract too much attendon.

He was succeeded by Philip (Chicken Man) Testa, who was blown away one year later by a remote-control bomb packed with finishing nails.

By and large, the mob's code of silence has held, but

police interviews of possibles along the hit-list line have produced some poignant moments. One police investigator described a conversation with Harry (The Hunchback) Ric-

cobene, 72.
"I tell him he's about to get whacked, and the old man just sits there, with tears welling in his eyes, complaining about these new kids in the family. He says you just can't talk to them anymore."

The new don appears to be Nicodemo (Little Nicky) Scarfo, a loan shark and gambler oow based in Atlantic City. "He's a south Philadelphia bronco with the white shoes, yellow ties and a buge Napoleomic complex," a police official said. "He gets all his dialogue from the movies."

Not in the Script

Actually, both sides seem intent on providing material for good script. After the two suspects failed to look in their ear-view mirror and botched the Salvatore Testa execution last week, their bail was set at \$50,000. That allowed them to walk free for \$5,000 in cash, which they produced in-

Red-faced, the district attorney, police and judge immediately entered into beavy recriminations over how such a thing had happened. The pair failed to show for a hearing three days later, called to raise their bail to \$10 million each. "I don't know if they're over the Delaware River," their

lawyer told the judge at the bearing, "or under it."

It was neither. On Friday, the two suspects surrendered to police, had their bail revoked and were taken into custody, certainly writing a new chapter in the history of Phila-

gram.

many conservatives view as a grad-

ual departure from the original

principles of his economic pro-

But to Mr. Reagan and his

aides, support of the tax increases,

which were pushed by moderate Republicans in the Senate, is a

compromise essential to winning

support for other pieces of the Reagan program, including his spending cuts of up to \$30 billioo

A White House official ac-knowledged that Mr. Reagan was

faced, for the first time in his presi-

dency, with the "unraveling" of

the coalition of Republicans and conservative Democrats that gave

him a series of congressional victo-

The tax cut enacted last year re-duced taxes in the fiscal years

1983-85 by \$406 billion, according

to the Office of Management and

Budget. But that tax cut helped

crease a projected deficit of more than \$100 billioo in the fiscal year

To belp reduce that deficit and

to get a budget through Congress,

Mr. Reagan, with some reluctance

is seeking a tax bill that would scale back the original cut by 25

1983, which starts Oct. 1.

ries last year.

percent.

Rare Public Criticism Of High Court's Work

By Fred Barbash

Westington Post Service
SAN FRANCISCO — In a highly unusual public airing of the
problems of the U.S. Supreme Court, Justice John Paul Stevens has called for what amounts to a divestiture of major segments of

the court's power.

Justice Stevens' sharp attack on the quality of the Supreme Court's work stunned lawyers and judges who beard his speech before the American Judicature Society on Friday night. Analysts later called his remarks one of the most important criticisms of the Supreme Court by a justice in recent years.

It is exceedingly rare for members of the high court, whose

speeches are generally noncontro-versial, to use a public forum to discuss internal problems and self-

But Justice Stevens told his andience that justices are making judgments too quickly in many cases and premanurely in others. He said the court was engaged in "unnecessary lawmaking" and was relegating important elements of its work to the status of "secondclass" assignments to be handled by "anooymous" clerks and administrators.

In its zeal to correct every judicial error and resolve every con-flict, be said, the court has taken

on a crushing burden of cases.

Justice Stevens recommended that the court give up its closely guarded power to determine its caseload through its decision on whether or oot to review decisions by lower courts. That authority, be suggested, should be given to a wholly new court.

He also said that a whole class Supreme Court cases disputes over legislaove interpreta-tion — should be sent back to Congress for resolution rather than continue to have them judged by the federal judiciary.

Justice Stevens said the court

had tried last year to hold a meeting to discuss solutions to the problem. "As the term developed, however, and we became more and more deeply involved in the merit of a series of difficult cases, our initial recognition of the overriding importance of evaluating our own workload problems ... gradually dissipated and no such conference was ever held," he said. "We were too busy to decide whether there was anything we could do about the problem of being too busy." Wade McCree, a former U.S. so-

Mongolia to Get Flood Aid

MOSCOW - The Red Cross and Red Crescent are sending medical supplies and other aid to Mongolia, which has been hit by serious flooding, Tass said Sunday.

licitor general and a onetime ap-pellate judge, called it "the most extraordinary speech I've ever heard by a Supreme Court jus-

Various justices, including Jus-tice Stevens, have written some of these criticisms in opinions, and outsiders often cite them. However, Mr. McCree, who is now a University of Michigan law professor, said he had never heard such candor from a member of the court in

One of the leading academic an-alysts of the court. Yale Kamisar, also of the University of Michigan Law School, said he was astounded by the speech. "I came here to relax, but found myself writing it all down. It was very unusual."
Mr. Kamisar added, however, that he disagreed with the idea of setting up a new court because he considers caseload screening one of the court's most significant

Chief Judge Donald P. Lay of the 8th U.S. Circuit Court of Appeals expressed relief that a member of the court was beginning to recognize what be said lower federal court judges have

thought for some time.

"I've got 100 opinions on my desk issued by the court in the last three weeks of its term," Judge Lay said. "I recently told Justice [Harry A.] Blackmun that I hoped I would bave time to read them all and if I didn't that I hoped there was nothing I needed to know

right away."
The court receives roughly 4,000 petitions for full review each term, a oumber that has increased sharply over the past decade. But the court only chooses 150 to 200 of those for full briefing, oral argu-

Autonomy Sought For New Caledonia

ROTORUA, New Zealand — Nations attending the Pacific Fo-rum meeting will be asked to seek United Nations aid to end French rule in New Caledonia, Vannatu's premier, the Rev. Walter Lini, said

the nations' support in referring the issue to the UN Committee on Decolonization. The forum's 12 members are Australia, New Zealand, Papua New Guinea, the So-lomons, Fiji, the Cook Islands, the Gilbert Islands, Western Samoa,

Nanru, Nine, Tuvalo and Tonga.
The forum, which begins Monday, will discuss a recommendation that the French be given a further opportunity to demonstrate their stated willingness to move toward independence in New



John Paul Stevens

ments and opinions. Justice Stevens said this has meant the justices have been treating the screening process as "second-class work."

Small Portion Seen

"I have found it necessary to delegate a great deal of responsibility in the review of certiorari (review petitions to my law clerks," he said. They examine them all and select a small minority that they believe I should read myself. As a result. I do not even look at the papers in over 80 percent of the cases that are filed."

Justice Stevens also said the court agrees to review many more cases than it can handle, partly because it feels the oeed to correct lower-court errors or because it is unwilling to allow lower-court judges to exercise authority.

He said the court should begin

trusting people other than judges to resolve legal disputes and misunderstandings.

He suggested that Congress establish a standing committee "to identify conflicts that need resolution and to draft bills to resolve them one way or the other," as an alternative to resolution of these conflicts by the court.

Sunday. Father Lini said he would seek

Caledonia, observers said.

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Reagan to Lobby Allies in Congress To Save Tax Increase From Defeat

By Steven R. Weisman New York Times Service

WASHINGTON - President Reagan is warning his allies in Congress that failure to pass tax increases this year would be "devastating" to the economy and to Republican prospects in the November election, according to administration officials.

The president is facing his most serious Repoblican revolt since taking office in trying to win support for the increases. Somewhat belatedly, the officials said in interviews, Mr. Reagan has realized that only a major personal effort oo his part, comparable to the lob-bying campaigns be conducted last year to behalf of his tax and spending cuts, would save the tax measure. The bill would raise \$98.5 billioo in the next three years.

That realization, and rising fears among his advisers about the po-tential consequences of defeat, has led Mr. Reagan to defer plans for a California vacation and to step up his lobbying drive with fellow Republicans, the officials said.

At the same time, they said the president was prepared to seek Democratic support for the tax bill by offering to extend expiring un-employment benefits in states with on proposed cuts in the Medicare program. Officially, the administration opposes such steps.

As of oow, Mr. Reagan plans oo Sixty-ooe percent agreed with the statement that "ocither the Demo-As of oow, Mr. Reagan plans of major television address on the tax bill, a speech many Democrats have urged him to make, but there are plans for him to take up the issue publicly at much greater length than be has recently. White crats nor the Republicans have ef-

the Democrats have served notice represents another step in what that the bill will not pass without

widespread Republican support. Administration officials concede that there is no such support now. A White House aide said that the president faced the most unusual uphill legislative struggle of his presidency: a struggle to convince his own supporters of the merits of

Several Reagan aides said they were coovinced that the long-term success of the president's program was on the line, adding that the defeat of the tax bill would send a signal of mounting deficits to the financial community and drive up interest rates, dooming chances of ecocomic recovery.

'Need to Paint a Picture'

"We need to paint a picture to our fellow Republicans of what happen to the economy because of a revolt within the Republican Party," an administration official said.

The president's move toward more active support of the tax bill

Nicaragua Signs

Reuler MANAGUA - Representatives of Nicaragua and Costa Rica bave signed an agreement designed to end border tensions between the

The agreement, which was signed Saturday, specifies that Costa Rica will not permit its terri-tory to be used for aggression against Nicaragua and that Nicaragua will not take any steps that could destabilize its neighbor. The countries also agreed to establish a

drug and arms trafficking.

Costa Rica was one of the strongest supporters of leftist Nicaraguans in their battle three years ago to overthrow the country's rightist dictator, Anastasio Somoza. Since the leftist victory, relations have cooled because of

Costa Rica Pact

two coontries.

border control commission to fight

Whether Joblessness Breeds Crime Still Proves Elusive to Researchers

Many members of the Demo-cratic coalition who drifted to the Republicans in 1980 are adrift again. Disillusioned by economic conditions, these voters are up for grabs. Without the support of a substantial number of such voters, the Republicans could lose the presidency in 1984. Whether those voters will vote

It might seem that the current recession should follow the pattern of the Depression: as workers lose their jobs, more crime is inevitable. However, an analysis of crime data and unemployment rates for the past 20 years shows a confused re-lationship.

ted — and using various statistical methods. The Washington Post compared the incidence of crime in the seven categories with nationwide unemployment rates from 1960 through 1980.

the crime rate crept up again after dropping when the 1975 recession ended. In general, both the crime and unemployment rates have

On the other hand, 1961 was also a year of high unemployment,

KOBLENZ, West Germany The Rhine, Europe's busiest inland waterway, was reopened to traffic Saturday after the last of 44 giant

year there were drops in violent crime, murder, rape, robbery and aggravated assault. Furthermore, while the unemployment rate de-clined from 1961 to 1969, the crime rate rose substantially.

M. Harvey Brenner, a sociologist at Johns Hopkins University, has published controversial findings that there is a link between unemployment and many crimes, particularly suppler.

particularly murder.

Mr. Brenner says the most important aspect of unemployment is among males aged 15 to 24. If the ratio of unemployed young males to all unemployed people rises, then increases in crime are particu-larly likely, he said. Many types of crimes, even rape, are affected, be

Mr. Brenner said he believes a single percentage point increase in unemployment is associated with a 5.7 percent rise in murders and a 4 percent increase in the number of

increases of 4.3 percent among men and 2.3 percent among women of people newly admitted to mental hospitals.

sult in higher crime. A principal reason for this rela-tionship, according to Mr. Bren-ner, is stress. When people are out of work, they feel tension. They

may also feel victimized, and there

although by today's standards it many other causes of crime: in-seemed tame at 6.7 percent. In that creasing use of alcohol and narcotics, urban growth, development of

another authority on crime, has criticized Mr. Brenner's work and said overall unemployment seems to bear little or no relationship to

unemployment statistics for a cumber of years and compare them, or they can take a cross-sectional approach, getting areas around the country with high and low unemployment rates and checking whether high unemploy-

approach demonstrates a signifi-

Leftist Unit Claims 2 Paris Bombings

PARIS — Bombs damaged a bank in central Paris Saturday and a tool shop Sunday in eastern Paris, causing heavy damage but no injuries, police reported. Both blasts were claimed by the extreme leftist organization Direct Action.

The bank Discount Bank is a The bank, Discount Bank, is a subsidiary of the recently nadonal-ized Rothschild group. Direct Action has claimed several attacks in

Middle Eastern countries - said that it was responsible for ma-chine-supplies the successful of

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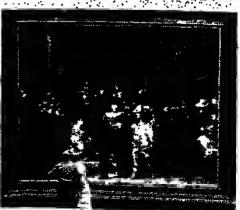




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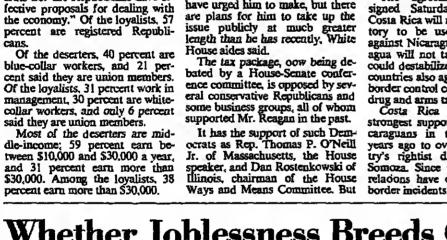


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By Nicholas D. Kristof Washington Past Service
WASHINGTON — The last

time unemployment rates were this high, John Dillinger was making withdrawals from banks along with Ma Barker and Bonnie and

Looking at nationwide crime statistics in seven categories — auto theft, larceny theft, burglary, robbery, property crime, violent crime and overall crimes commit-

Sometimes there seemed to be a connection. In the recession year of 1975, when unemployment reached 8.5 percent, the total crime index reached a peak, with historic highs in violent crime, robbery, burglary and auto theft.

Some of those peaks were reached again in 1979 and 1980 as the crime rate crept up again after

tended to rise since 1970.

Rhine Reopened to Traffic

people in state prisons.

He also reports that each percentage point rise in unemployment is ded to a 4.1 percent increase in suicide, a 1.9 percent rise in the overall mortality rate, and in the overall mortality rate, and

While Mr. Brenner stands by these figures six years after he pre-sented them to a congressional committee, he cautions that a recession does not automatically mean more crime. He believes it is safest to say that all things being equal, more unemployment will re-

an underclass and demographic and family changes. James Q. Wilson, of Harvard,

Mr. Wilson noted that there are two ways to examine the relationship of unemployment and crime earchers can look at crime and

ment areas have more crime. When other factors are con-trolled, Mr. Wilson said, neither

the last year against persons and institutions linked with Israel. Last month, the group - which is believed to bave ties with certain

The U.S. and Israel

From THE NEW YORK TIMES

If President Reagan really wanted Israel to stop strangling West Beirut last week, how come he couldn't? Israel is wholly dependent on American military and economic aid. America is just about its only friend and protector against diplomatic and commercial ostracism. However defiant, the Israelis know who butters their bread. Whatever interests drove them to Beirut, none is as vital as the link to the United States. So when Ron insists, why doesn't Menachem listen?

One problem lies in those "Dear Mena-chem" letters that "Your friend, Ron" kept sending. In Israeli politics, they have heen like blank ehecks, unwitting endorsements of the whole range of Begin policies, from bombing Baghdad to annexing the West Bank. Even if Israelis judge America to be angry now, they think there is a wealth of understanding to be drawn down.

Another problem, paradoxically, is the im-plication of sudden rage at the White House. Threatening Israel with a loss of aid in midwar is like waving a bloody shirt. It may even turn defying Uncle into a popular, uplifting demonstration of self-respect.

And finally there was the problem of whether Reagan's outrage was sincere. Even while threatening Israel, he was reaffirming its demand that the PLO leave Lehanon. How can he make that happen except at the point of Israeli bayonets? He may not want to share responsibility for the dirty work, but does he really want it left undone?

Whether the ugly, costly bombardments of West Beirut are in fact worth the expulsion of

a few thousand defeated PLO guerrillas is a reasonable but different question. Even left in place, they could not for a long time threaten Israel again.

But Reagan answered that question for himself a month ago: The PLO must leave. It is now the policy of America and the Arab League, as well as Israel, to reclaim Lebanon for moderate Lebanese. And this can be the foundation for a vigorous new diplomacy that would also resolve the future of the

That diplomacy will inevitably owe something to Israel's brutal ways. And it will require prolonged American pressure to alter Israeli and Jordanian policy in the West Bank. For that pressure to be successful, the lessons of the past week have to be well

Diplomatie pressure is not a tool for crises. Nor can pressure be generated only with alternating blandishments and punishments. What's required is a pattern of sustained actions that address the interests, and fears, of

To halt Israel's annexation of the West Bank, for example, will require proof that Jordan is now ready to help negotiate a more secure arrangement. Winning Jordan's help will require persuading King Hussein that his throne is at stake. Diplomacy's tools are levers, not sledgehammers. They cannot shatter rocks, but they can move diehards on a carefully plotted course. How can America exert effective pressure? To power, add policy and

Has Hoover Returned?

From THE WASHINGTON POST

Herbert Hoover is currently making one of his frequent reappearances in U.S. political life. You have probably seen a good many references to him in the past several months, in relation to the state of the economy. With the publication of last month's unemployment figures, you are very likely to be seeing even more of him. In the past he has been evoked mainly on the left, by way of warning against the dangers of economic disaster ahead, It is interesting to see that same theme now turning up on the right, as conservative theorists and business lobbyists try to fight off a tax increase, Raising taxes in the midst of a recession, they argue, will have the same consequences as Hoover's attempts to balance his budget in the Depression.

But watch out. The analogy between the Hoover years and the present situation is exceedingly inexact.

The economie catastrophe of the Hoover years was a collapse of demand. There's still much academic controversy over the causes of it. But in the summer of 1929 — a good two months before the stockmarket crash in October - production and prices began to fall at a dire rate. As incomes fell, people spent less, causing further unemployment in an accelerating spiral. The Depression reached its low point at just about the time Hoover left office, in early 1933. By that time, the gross national product had fallen nearly a third since 1929, and the unemployment rate was 25 percent — in a societ

Security and no bank deposit insurance. Yet, whatever the pains of the present moment, they are of an altogether different order.

There is no sign whatever of a continuing downward spiral. Since the present recession began last summer, GNP has probably fallen about 3 percent. People's personal spending on consumption is holding up almost ton nicely—it is higher now than it was at the beginning of the recession. The threat this summer is not a general collapse of incomes and demand, in the manner of 1929. The threat is the continuing oppressive weight of very high interest rates.

The American economy bas been flat since early 1979. There have been small ups and downs, but along a plateau. Unemployment has risen by nearly 5 million over those 3½ years, but not because the total number of obs has plunged as it did in the Hoover period. While the number of jobs has risen since 1979, it has not risen fast enough to keep up with a growing population. There is no reason to hope that employment will rise fast enough until the interest rates come down.

The one thing that the federal government can most usefully do about interest rates is to reduce its own budget deficits. That requires, first of all, the tax increase now moving through Congress. Raising taxes in a conventional recession might well be perilous. Bot by far the greater peril now is the blight of excessive rates, sustained by fears of unmandeficite 1 no unemployment compensation, no Social for the economy, but it is not 1929.

Other Editorial Opinion

PLO Must Leave

The PLO must leave Beirut without prevarication or delay. This is not a judgment on their cause but on their circumstances, particularly on what follows for other people if they do not go quietly.

The Israelis have made it clear that the

longer the PLO stays in Beirut the more people - most of them innocent bystanders will be killed, maimed or made destitute. Given Begin's relentless temper only Arafat can put a stop to the appalling carnage of the past weeks. So, like it or not, Arafat has had responsibility foisted upon him.

- The Sunday Times (London).

The Grand Quarrel

The grand quarrel over the Siberian pipeline is potentially one of the gravest ever to divide the Western Alliance. It is a straight European-American quarrel,

with the major NATO partners united against President Reagan's determination to block Western industrial participation in the pipeline project. And because of Mr. Reagan's amazing decision to use the power of American multinationals in Europe to defy the policies of democratically elected governments, it has also become a dispute over the whole question of American hegemony within the Alliance.

The Americans resent the fact that the "export pipeline" will give the sickly Soviet economy a powerful shot in the arm, up to \$10

billion a year at peak. But can the denial of trade, or the threat of denial, alter Soviet policies to the West's benefit? The European experience over 30 years is that leverage of this sort simply does not work, and that the Soviet Union will always prefer to pay economic penalties rather than allow that kind of leverage to gain any purchase.

There is no evidence that the pipeline emhargo has affected its target - Soviet policy towards Poland; European governments are sardonic towards American claims that Gen. Jaruzelski's meager relaxation of martial law is proof that sanctions are working. - The Observer (London).

OAU Shambles

What if they gave a summit and nobody came? This week's shambles in the Libyan capital of Tripoli was not as bad as that, but it might as well have been.

The Organization of African Unity should have been holding its 19th annual conference

heads of state and government this week but could not start on time for lack of a quorum of two thirds, or 34 out of 51.

The link across the Sahara of the black Africans with the Arabs has been a mixed hlessing which has been helpful as well as disruptive. Mediators like Nigeria are going to have to work very hard for a cooling-of period and a summit later in the year so that the truly African issues like Namibia, South Africa and the economie misery can get attention as well.

- The Guardian (London).

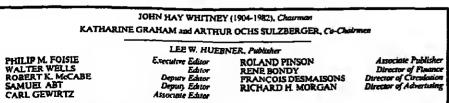
AUG. 9: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Siamese Surprise

BERLIN - Reports from Bangkok concerning a fresh delimitation between Krat and Battambong after the rainy season came as a perfect surprise to the members of the Siamese court now traveling in Europe. Prince Paribaatra, half-brother of the King of Siam, informed a Herald correspondent at the Kaiserhof that he is unaware of any cause for fresh negotiation with France, as the treaty concluded with France in March, 1907, had proved satisfactory to both countries. Diolomatic incidents in Siam may bave given rise to the rumor. The King of Siam and his suite, including nine princes, will teave for Wilhelmshohe, where the king will take tea in the afternoon with the German Empress.

1932: Ministers for Hitler

BERLIN - Possible inclusion of Hitler's followers in the Cabinet was officially admitted for the first time when a government spokes-man confirmed that the negotiations starting this week between Gen. von Schleicher and Adolf Hitler had to view the assignment of certain portfolios to "men close to the Hitlerites." It was emphasized that the ministry will continue to rely on President von Hinden-burg's support for its existence. The movement for making Hitler chancellor is making no progress. Two of his Brownshirt co-lead ers. Gregor Strasser and Wilhelm Frick, the two "brains" of the Nazi movement, are known to be opposed to the "Fuhrer's" candidacy for the chancellorship.



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Reagan to Test the Water for Thatcher

WASHINGTON — Can Presi-dent Reagan get away with suddenly deflating expectations about economic recovery that be him-self had raised so high during the past two years, while stubbornly refusing

ange course? to change course?

This question is familiar to someone returning to United States from Britain after chronicling the first three years of Prime Minister Margaret Thatcher's similar experiment in survival-of-the-fittest economics of tight money and budget cutting.
Thatcher's economic strategy, like

Reagan's now, was long perceived to be failing as Britain plunged deeper into its worst recession in a half-cen-tury, and Thatcher's approval rating in the polls plummeted to record lows. But Thatcher only redoubled her efforts to preach the gospel of Vietorian economic virtue, warning Britons that "I'm afraid some things will get worse before they get better.

And, even before her successful prosecution of the war with Argentina over the Falkland Islands, she appeared to be succeeding. Despite only shadowy indications of a faltering improvement in the British economy, based mostly on an increase in industrial efficiency through layoffs and reforms forced by the severity of the recession. Thatcher and her Conservative Party had been making a marked, if somewhat mysterious, re-

covery in opinion polls.

Peculiarly British factors may account for some of this, Britons have long been inexplicably accepting of a steady economic decline relative to other Western nations since World War II; the opposition Labor Party appears to be moving too far to the left for the tastes of British swing voters, and Thatcher's neo-Victorian image appears to appeal to many mid-dle-class Britons disillusioned with the post-war welfare state nurtured with high taxes by both opper-class Conservatives and working-class bor politicians.

But Thatcher's image of strong leadership and unswerving resolve, now strongly reinforced by events in the Falklands, also appears to have given credibility to her insistence that she can make ber economie policies work in the long run if given enough time. While Reagan now is asking voters who will go to the polls in the fall congressional elections to give him another two years to show prog-ress in ending U.S. economic stagnation, Thatcher has told her voters she needs at least another five-year term. and maybe more, to turn the British economy around.

Reagan's new appeal to Americans to have patience and endure pain while he tries to make his economic program work was filled with echoes of what Thatcher has been preaching for more than three years now. He virtually plagiarized Thatcher's repeated exhortations to "resist the calls for easy options" that would mean a return to using "artificial means to have an artificial boom." Blaming "a generation" of govern-ment inflation of the economy for Britain's woes since she became prime minister — just as Reagan blamed two decades of mostly Democratic government deficits for the still bigger budget holes he now finds himself in — Thatcher has habitually warned that a necessary fundamental

By Leonard Downie Jr.

restructuring of the economy "cannot be painless."

Ever since Reagan's election, his supporters have fought off compari-sons between his economic policies and Thatcher's because she appeared to be doing so badly. Now Reagan also has been forced to admit that his strategy has been painfully slow to produce any sign of beneficial results. He could only claim, as Thatcher bas for months in Britain, that the reces-sion has finally "bottomed out." He is left, like Thatcher was before

the Falkiands, with only rhetoric and symbolism as tools with which to maintain political credibility.

Thatcher, with some success, has summoned up images of Britain's imperial past and emphasized Victorian virtues of industry, charity, selfeliance and duty. But she appears to have struck a chord among many members of Britain's growing middle class, who agree with her that drastie change is needed, while still waiting to she if can keep her promises to reduce taxes and energize the private

White House and other opinion

interest payments and faitering

of its former principal exports.

D UCHAREST — Romania, economically the sickest member of the Soviet bloc except for Poland, may at

last be emerging from the depths of its foreign-credit crisis. After months of painful negotiation, a \$400-million

debt-rescheduling agreement has just been reached with Romania's 15 major Western creditor governments. The 200 private Western banks, to which \$2.8 billion are owed

this year, are next in line.
With a total foreign indebtedness of \$11 billion, lagging

production. Romania has suffered a virtual cutoff in cred-

its from the West, including the United States. This has

infuriated President Nicolae Ceausescu who, in an interview, indicated his belief that such tough economic policies, particularly on the part of the United States, are

poblically rather than economically motivated and are

Ceausescu has been running Romania as a virtual dic-tator for almost 20 years. He has been as condemned by

Westerners for mismanagement of the economy and for

the repressive nature of the regime as he has been praised

for the independence of his foreign policy. His overinvest-ment in petrochemical complexes and steel mills and his

underinvestment in agricultural development have turned

the country into a net importer of both oil and food, two

Yet there is no sign of unrest here, perhaps because under Ceausescu's watchful eye one of every three adults

is said to report on the other two in what is believed to be

the most extensive - if not necessarily the most efficient

Talking in his huge office, hung with French paintings.

in Communist Party headquarters. Ceauseson brushes off

all such criticism. He points to a tripling of industrial production in the past decade, a \$300-million hard-cur-

reney trade surplus last year and a sharp rise in the stan-

dard of living — which, however, is still the lowest in Europe except for Albania's.

Western governments and private banks not at all to his

own investment policies but instead to the United States. He blames Romania's plight primarily on the world's high

interest rates, and he blames the high interest rates on

America's huge military budget.

Ceausescu believes that the United States as a global

creditor is attempting to shift the burden of paying for its arms program to the rest of the world through high-inter-

He traces Romania's current economic difficulties with

secret police network in Communist Europe.

politically and economically counterproductive.

polls here show that many Americans
—especially the formerly Democratic
voters who switched to Reagan in 1980 — feel the same way about his presidency. If he can satisfy them for the moment with Thatcher-like rhetorie about the balanced hudget amendment, his "new federalism" proposal and the virtue of self-sacrifice for the greater good, the polis show he may have another year in a less-patient America to make real progress in rescuing the economy. This is the apparent foundation for the current White House approach to

the fall congressional elections. Even before the British victory in the Falklands, Thatcher's aides be-lieved she had weathered the worst storms over her economic policies and could still carry her party to victory in Britain's next national elec-tion in 1983 or 1984, with the firmness of her resolve in adversity their best campaign issue. They may now have an opportunity to see this judg-ment pre-tested by how Reagan's Re-publicans fare with a strikingly simipolitical strategy.

The writer, national editor of The Washington Post, was until recently the Post's bureau chief in London.

Some Complaints From Ceausescu

By John B. Oakes

Nuclear Arms Control: Is There Any Hope Left?

Those questions are the nuh of an arcane but intense debate triggered by President Reagan's recent decision not to resume talks on a comprehensive ban on nuclear tests and not to ratify two treaties on nuclear testing that were negotiated several years ago with the Soviet Union.

Democrats and several moderate Republicans have criticized the deci-sion, asserting that it reflects the Reagan administration's lack of real commitment to arms control.

But administration officials argue that in the long run, Mr. Reagan's de-cision, especially his determination to try to improve monitoring provisions of the treaties before seeking Senate

approval, will win support.

The decision, the officials assert, reflects an effort to "level" with the American people about what arms control measures can realistically achieve. This, they say, is in the best interests of not only the nation but also of arms control.

also of arms control.

The approach is risky, partly because the administration has had credibility problems in this area. Many Americans have been fright-ened by talk by some U.S. officials about "limited" nuclear wars and vast civil defense programs. Even after the administration unveiled pro-posals calling for eliminating inter-mediate-range nuclear weapons based Europe and reducing Soviet and

U.S. strategic arsenals by a third, several critics of the administration saw the initiatives as merely an effort to defuse the growing nuclear disarmament movements here and in Europe. Given this backdrop, many arms control experts do not accept the White House's assertions that the questionable effectiveness of verification techniques makes it undesirable now to ratify the Threshold Test Ban Treaty and a companion treaty, which limit weapons and peaceful nu-

clear testing to explosive power equal to 150,000 tons of dynamite.

Several arms specialists also suggest that the scuttling of talks aimed at a total test ban is, along with the determination to improve the treaties' monitoring provisions, a "ploy" to mask the administration's desire to continue testing at an even higher level than the 150-kiloton threshold.

est policies designed to help cover the cost of the Ameri-

can arms buildup. It is also clear that he believes that the Reagan administration's tough economic policies toward

political and social systems. He thinks Western economic sanctions against Poland are unjustified. While the impo-

sition of martial law in Poland cannot be applauded, he

says, it is a better solution than civil war, which could have resulted and would have only led to intervention by

foreign troops. (Romania was the one Warsaw Pact mem-ber that failed to furnish even token forces in support of

Although there have been brief strikes in Romania's

coal fields arising from shortages of consumer goods, lack

dismisses as an anti-Socialist creature of the Roman Cath-

olic Church. In Romania, the dominant church is Ortho-

dox and is closely linked to the government as are the

Ceausescu, having just returned from China and North

o powers have agreed to a 40-percent increase in mutu-

While disavowing any intention to act as a go-between,

President Leonid L Brezhnev of the Soviet Union is

Ceausescu believes that the problems between the two

Eastern giants are capable of solution by direct negotia-

demonstrating a realistic approach in this direction, says Ceausescu, by diminishing public polemics and develop-ing economic relations. The implication is that Ceausescu

would like to see President Reagan do likewise vis-a-vis

tion once mutual confidence is re-established.

Korea, perceives the possibility of overcoming the divergences between China and the Soviet Union. China's

leaders are interested in a policy of détente and a policy of peace with the Soviet Union, he says, noting that the

dozen or more other officially recognized "cults."

al trade this year.

the Soviet-led invasion of Czechoslovakia in 1968.)

year by 15 percent, Ceausescu points out.

By Judith Miller

WASHINGTON — What kind of arms control strategies should the United States pursue, and what can they reasonably be expected to accomplish?

There questions are the pulsue.

Arms Control and Disarmament Agency, before the Senate Foreign Relations Committee May 13.

Mr. Rostow said that he had encountered "a profound stone wall," whole "phalanxes and battalions" of administration opponents to ratification. "The stone wall," be testified. "is a feeling in many parts of the gov-"is a feeling in many parts of the government that, given the uncertainty of the nuclear situation, the nuclear balance and the need for new weapons and modernization, we're going

ons and modernization, we're going to need testing, and perhaps even testing above the 150-kiloton tevel, for a long time to come."

In addition, administration officials acknowledge that at a National Security Council meeting on the lesting treaties two weeks ago, representatives of the Defense and Energy Departments argued that some testing would be needed to maintain confidence in the nuclear stockoile and in dence in the nuclear stockpile and in

new warhead designs.

Arms control analysts generally agree that the two treaties pose serious verification problems. But, some note, President Nixon knew this when he signed the 150-kiloton limit, and the Russian agreed to provide additional data that would narrow the uncertainties, thereby convincing the Nixon administration that the threshold treaty was, over all, in

America's best interest.

Spurgeon Keeny, deputy director of the arms control agency under President Carter, says he fears the inresident Carter, says he fears the increased emphasis on verification might kill the threshold treaty. Holding the accord "hostage" to improvements in monitoring, he asserts, is a "tragic mistake," because the Russians might conclude that they cannot be according to the control business. not do serious arms control business with a country that changes its phi-

losophy with each administration.

Albert Camesale, a Harvard professor and Carter administration adviser, argues that verification appears about to become the sine qua non of arms control, rather than just one measure of a good agreement. "If perfect, or near perfect, verifi-

cation becomes a necessary condition of arms control accords, either we won't have any, or they'll be devoid of substance," he said.

In response, the administration argues that "near perfect" verification was never a issue in the thresbold treaty. On 11 occasions, they say, the Russians might have gone over the 150-kiloton threshold.

"We would be hooted out of the "We would be hoosed out of the Senate if we sought approval of a treaty in which a Soviet test could be as large as 600 kilotons, or as small as 70," said one official, who asked not to be identified. "That kind of treaty, with our experience to date, would make a mockery of arms control accepted."

Administration officials also assert the countries of Eastern Europe tend to drive them ever further away from the West. Romania's trade with the that evidence that the Soviet Union may have violated the agreements Soviet Union, its chief economic partner, is increasing this banning chemical and biological weapons has generated widespread He bitterly attacks the notion of linking development scepticism about Soviet compliance with accords that do not have foolof economic relations between states to approval of their proof monitoring arrangements. They note, too, that even the Carter administration, which ardently supported arms control, did not press for Senate approval of the treaty.

While arms control experts disa-gree over what should be done about the threshold test, deeper philosophi-cal differences emerge in the debate over whether the nation should pursue a comprehensive test ban.

of incentives and poor planning. Ceausescu does not seem worried about the growth of independent trade unions here comparable to Solidarity in Poland, which he Helmut Sonnenfeldt, a scholar at the Brookings Institute who served in foreign policy posts in Republican and Democratic administrations, says that while every administration since Eisenhower's has adopted a total test ban as its goal, "they've all shared the same doubts about its wisdom."

A comprehensive ban, he says, "re-flects a view that technology is bad." Nuclear weapons of the 1950s were the "biggest, dirtiest, most accidentprone and least subject to political control," Mr. Sonnenfeldt maintains, "and we might well be worse off had new technology not been tested."

Administration officials are por-

traying the comprehensive test ban as a throwback to an era in which it was thought that arms control accords could eradicate nuclear weapons. "As long as deterrence depends on

nuclear weapons," said an official who requested anonymity "both sides had better have confidence that their missiles will work." The New York Times.

2...

The writer is the former senior editor of The New York Times.

Spies: Where Does the Fantasy End?

GLEN COVE, N.Y. — I grew up in a house a stone's throw from a non-descript fence that marked the back end of the Killenworth estate here. The fence surrounds the 37 acres and mansion used by the Soviet Union's delegation to the United Nations for its summer residence.
As children, my friends and I fan-

tasized that the place was a hotbed of Soviet espionage, occupied by men wearing black coats, and all of them resembling Alexei Kosygin. Our fan-tasies were products of a kind of cold war perspective that pitted us against them, G.L. Joe against the Reds.

The disclosure in May that the es-tate was the home of sophisticated espionage equipment used to spy on important industries on Long Island came as no big surprise to me, now an adult. I knew all along that there was a real reason why no one but the delivery boy from the local market was allowed within the estate complex. And I knew that those were real FBI men perched on top of a nearby building with binoculars. All this only served to reinforce everything my friends and I had imagined to be

true as children. By contrast, Glen Cove officials acted surprised. The federal government was mute. The FBI would neither confirm nor deny the reports that were originally carried on Cana-dian television and described the intelligence equipment at the estate.

Mayor Alan M. Parente and the By Karen Polk

soned that since Killenworth was a diplomatic residence that paid no taxes to the city and that was engaged in spying, of all things, against the better interests of our nation. Glen Cove would protest in the only manner in its power: It would keep the Russians off the beaches, tennis courts and golf course.

At that time, the council's action

seemed oddly appropriate. In the fan-tasy world in which we still regarded the Russian presence here, the mayor was standing up to the Reds.
For a while there was little reac-

don. The federal government was in-different. Then the other day, the State Department finally reacted by requesting that the city council reinstate the recreational privileges. The wording of the letter was strong and stated that Glen Cove was interfering in the proper conduct of international affairs. Washington was seriously concerned that the Soviet diplomats be given the proper privileges.

The affair assumed storybook pro-

portions, and the news media have evoked a comparison with "The Mouse That Roared." It was Gleri Cove against the Reds — and now the Feds as well. The whole thing seemed a btile silly. There is more to this story though. A few months ago, someone took pot

shots at windows on the estate. They

ing to the local high school, were ac-companied by bomb threats and the discovery of mysterious packages at the entrance. The whole thing isn't re-

ally so silly after all.

The city has taken action and the government has deemed it a legitimate concern. And now the Soviet regime has retaliated by barring our diplomats in Moscow from using a beach on the Moskva River.

Why didn't the State Department ever inform Glen Cove about the seriousness or the extent of the Soviet operations going on within its bound-aries? And why is the city then left with none other than the ridiculous policy of revoking tennis passes to protest a spying operation that seems to operate with impunity?

All recent attempts by Glen Cove

to learn anything about the operation have been met by statements from the FBI that the information is classified. There is probably spying going on, the bureau says, but its lips are sealed about details.

Intelligence operations have always thrived under a veil of secrecy. Equally, fantasies and misconceptions and delusions and even silliness thrive on the mystery of intelligence opera-tions. Maybe our childhood imaginings were not farfetched, and then again maybe they were. We don't really know for sure. But at least now we know a little bit better who is responsible for perpetuating them.

LETTERS TO THE EDITOR

Namibia Make-Believe R.H. Goris of the South African

Embassy in Paris (Letters, June 17) had sought to distort the report of the Southern Africa Bishop's conference on the atrocities committed by the South African army of occupation in Namibia as reported by Mr. Allister

Sparks on May 17.
Mr. Goris alleged that Mr. Sparks had only "told one side of the story" and that the bishops' report also "mentioned atrocities on both sides, i.e. also by SWAPO". This claim only exists in the imagination of the South African make-believe. Would it not be suicidal for SWAPO, which draws its overwhelming support from the Namibian people, to commit atrociies against them?

TULIAMENI KALOMOH SWAPO Chief Representative. Paris.

New World

Regarding "Salvador's Certification" (IHT, July 29): Your editorial claims "it continues to be worth the American while to pursue a better society in El Salvador." Why stop there? Let's pursue a better society in Pakistan, South Korea, the Phillipines, Guate-mala and (why not) Nicaragua.

Let's define this better society in vague but ringing generalities, install it at ganpoint, and eliminate anyone with a different definition. And for the skeptics who are wondering who they can do to save whales, but what assigned us the task of universal govabout the rest of us? More informa-Mayor Aian M. Parente and the shorts at windows on the estate. They writer, a reporter for Jie Cilent. Enquere here are some sine-fire and thorizonal water multiple and they writer a reporter for Jie Cilent. Enquere here are some sine-fire and thorizonal water multiple and they writer a reporter for Jie Cilent. Enquere here are some sine-fire and thorizonal water multiple and they writer a reporter for Jie Cilent. Enquere here are some sine-fire and thorizonal water multiple and they writer a reporter for Jie Cilent.

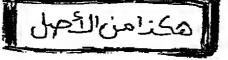
ties; 4. Divine Right; or (my favorite) 5. The Burdens of History. PHILIP WOHLSTETTER.

U.S. Hypocrisy

Regarding "An Official U.S. View on Moves to Stop the Pipeline" (IHT, July 24-25): U.S. Ambassador to France Evan Galbraith thinks the United States is justified in harming the Siberian gashine project because "Soviet military accounts." "Soviet military aggressiveness con-tinues around the world." If Wash-ington holds such oohle thoughts, it should stop the arms shipments that are killing innocent Lebanese and keeping rightist tyrants in power. It should cease backing Somozan guerrillas, some of whom train in Florida, who threaten an attack on Nicaragua to restore dictatorship. It should, in other words, stop being hypocritical CHARLES L. SMITH.

More on the Whale

A change in consumer habits will do more to save the whale than economic sanctions against Japan. The book review on (JHT, July 28) states that "The Japanese kill almost 1000 sperm whales each year for such products as chicken feed and tennis racket strings." So at least environmentalists who are chicken raisers and/or tennis players know what



Before She Left China, Tennis Star Reportedly Was Target of Hostility

tilova, the Czechoslnvak-born ten-nis star who has become the No. 1

female player and has never won a

Scholarship Sought

Her first goal, Mr. Lau asserted, is to learn to speak English. She then hopes to find a college that

will give her a tennis scholarship, he added.

fers some unusual glimpses into the normally closed wurld of sports in China. For years, while Mao was alive, the Chinese insisted that they put friendship before winning in international sports.

Peking still says that all of its

athletes are amateurs. In fact, how-ever, China maintains a system of special schools, camps and dormi-

tories for training young athletes and pays members of its national

teams a salary so they do not have to hold jobs.

One reason for Peking's angry

reaction to the defection is that in

the past almost no prominent Chinese athletes, writers or musicians

have forsaken their country. That

is a sharp contrast to the frequent

In part this lower number of Chinese defections can be traced

to the tighter control China has ex-

ercised over its citizens going

abroad. Another cause, however, is

China's intense patriotism, which

makes defectors appear to be trai-

reported to have expressed suspi-

cion that Taiwan may have been

responsible for engineering Miss Hu's defection. But her lawyer said, "To my knowledge, there's

been no involvement by officials

localized afflictions to damage the

crop even where it matures, ac-

Government officials said that

cording to agronomists.

Communist diplomats are also

defections by Soviet citizens.

Miss Hn's decision to defect of-

major professional tournament.

By Fox Butterfield

BOSTON — The Chinese tennis player whose defection in California last month touched off protests by Peking may have sought asylum because she had been criticized in China as being too Westernized

According to tennis players from Taiwan who talked with the Chinese woman, Hu Na, she complained that when she returned from several earlier tours abroad she had been forced to undergo self-criticism sessions.

In these meetings, which lasted several bours, Miss Hu, 19, said she was criticized for being too carefree and for wearing her long hair loose. Most Chinese women with long hair keep it in braids. Reports of Miss Hu's conversations with the players from Taiwan have appeared in the press in

Taipei.
The Chinese Foreign Ministry warned last week that cultural ex-changes between China and the United States would suffer if the Reagan administration granted po-litical asylum to Miss Hu.

Miss Hu has been in seclusion and unavailable for comment since she disappeared from the botel where the Chinese women's team was staying on July 20 during the Federation Cup tournament in Santa Clara, Calif,

She has been represented by a Chinese-American lawyer in San Francisco, Edward C.Y. Lau, who specializes in immigration work and who has close ties to the Nationalist government on Taiwan, according to friends.

Mr. Lau, in a telephone conversation, declined to say what Miss Hu's grounds were for seeking asylum in the United States. "It is not to our benefit to blow this out of proportion and emharrass gov-

eruments." Mr. Lau said. But he contended that it was incorrect to compare Miss Hu's situ-

By Colin Campbell

New York Times Service

There is never much rain this time

SURAKARTA, Indonesia

Peking Says Russia Is Still **Main Threat** Review Compares U.S., Soviet 'Hegemonies'

PEKING — China still views the Soviet Union rather than the United States as more of a threat to world peace, and it seeks cooperation with all developing countries except Cuba and Vietnam, an official magazine said Sunday. female player in the world since her defection to the United States illusions about her ability in play professional tennis now." Although considered a gifted athlete, she was not even China's top-rated

cial magazine said Sunday.
Clarifying China's stance toward the two superpowers, the weekly Peking Review said that both nations were essentially "hegemonist," that they sought dominations were supposed the superposed the supposed the same supposed the same supposed the suppose

nation over other nations. "How-ever, as the Soviet Union is on the offensive and the United States is on the defensive in their contentinn, the major threat to world peace today comes from the Soviet Union," it said.

Union," it said.

The official English language magazine added that China also opposed Washington's "hegemonism." listing as examples U.S. support for South Africa against Namibian guerrillas, for Israel against the Palestinians, and for other Central American governrightist Central American govern-ments and South Korea.

Taiwan Issue

It said that another "hegemonist deed" of the United States was its continued sales of weapons to Taiwan, which Peking regards as an integral part of the People's Re-public of China. And, it added, "although the strength of the United States has been weakened compared with the past, it still seeks hegemonism." it added. After President Reagan's elec-

tion. China shifted from the relatively pro-American stance that it adopted after the two countries normalized their relations in 1979 to become more even-handed in its criticisms of the external affairs of Washington and Moscow.

The Peking Review article indicated, however, that a strong anti-Soviet stance was still one of the main elements of Chinese foreign policy. It said that China wished to strengthen cooperation with other Third World countries, in line with Mao's "Three Worlds Theory," which it said was still valid.

But it specifically excluded Cuba and Vietnam, saying that those countries had become "tools of the Soviet begemonists in push-ing the latter's policy of aggression

and expansion."
It said that China directed the "spearhead of its anti-hegemonist struggle toward Moscow because the Kremlin behaved deceptively," and was trying to achieve its goal of expansion by waving the hanner of Socialism and styling itself as the "natural ally" of the Third World.

The article indicated that a major reason for Peking's anti-Soviet stance was that Moscow had tried to manipulate China when it provided it with technical assistance the 1950s, before the 1960 Chinese-Soviet split. It it called on Third World countries to be cautious when accepting Soviet aid today even though they might need it for domestic reasons or in a struggle against the United States.

conference in Bangkok last week that his country will not pull its troops from Cambodia until China

guarantees that it will not threaten

Support for Khmer Rouge

At a press conference Saturday at which the ASEAN statement

was issued, Carlos Romulo, the

Philippine foreign minister, said

much of the meeting had been

spent discussing tactics for the fall UN General Assembly session, where another voting showdown is expected over who represents

For the past three years ASEAN has led a successful diplomatic of-

fensive that has kept the deposed

ed Nations despite the opposition of the Soviet Union, Victnam and

other pro-Moscow countries.

which are seeking the entry of the pro-Hanoi government of Presi-dent Heng Samrin in Phnom Penh.

Hanoi contends that the Khmer

Rouge leaders, who are part of the new coalition, are Chinese puppets

and would imperil Vietnamese se-

tried to downplay the murderous image of the Khmer Rouge, who

set in motion a bloody revolution

before being deposed by the 1978

must look to the future, not the

extend 12 nautical miles and also claimed a 200-mile (320-kilometer)

More Gains in Revenue

Forecast for Suez Canal

The Associated Press

offshore "economie zone."

In a separate development, Mr. Samrin's government announced that Cambodia's territorial waters

Vietnamese invasion.

Some of the ASEAN ministers

curity if they returned to power.

hmer Rouge regime at the Unit-

the stability of Indochina.

ASEAN Urges Support

For Cambodian Rebels

Swung Jurors in Post's Libel Trial Tavoulareas' libel claim from the start were Geoffrey T. Mott, the key witness. I was shocked out my tree that Younger did not put

jury foreman and a 27-year-old li-

brarian at the Library of Congress,

and David A. Ford, a 32-year-old

Western Electric Co. storekeeper, according to one of the jurors who was interviewed. Mr. Mott and

Mr. Ford declined to be inter-

Mr. Johnson said The Post's at-torney, Irving Younger, was "a wonder to watch, but why he

didn't put George Comnas on the

stand. I'll never know. He was his

Atomic Power Use

Grew Slowly in '81

VIENNA - The increase in use

of nuclear energy throughout the world was slow last year because

of falling electricity demand and financial problems, the Interna-

tional Atomic Agency said in its

The Vienna-based agency said

that nuclear power supplied about 9 percent of the world's electricity

last year, compared to about 8 per-

cent in 1980. At the end of last

year, 272 nuclear power stations were operating in 23 countries, representing an increase in capacity of 13 percent from 1980, it said.

Slow economic activity, falling demand for electricity and difficul-

ties in financing and licensing were responsible for the slow growth, according to the agency, which in-spects nuclear installations.

annual report.

George Comnas on the stand."

did lead me that way."

He added, "We did compromise.

The fact that George Comnas wasn't on the stand ... it didn't make me compromise, but it surely

He said the fact that \$2 million was awarded, "that alone tells you

it was a big compromise compared to \$50 million" sought. He said

one juror had wanted to award \$1

to William Tavoulareas, while an-

other thought \$1 million was ap-

propriate for compensatory dam-

and later assessed \$1.8 million in

punitive damages against The

Post, which was the amount of the

elder Mr. Tavoulareas' legal fees.

as a witness, although an extensive pretrial deposition had been taken from him. Mr. Younger declined

comment Friday, refusing to say why he did not call Mr. Comnas. The juror who described herself as the last holdout said the absence

of Mr. Comnas did not bother ber.

declined to name, viewed "as the

muth" a memo written by Cass

Peterson, a Post copy editor, be-fore the article was published.

The copy editor wrote that after reading the Tyler story several times, she was "still left with an

overwhelming sense of 'So What?'
It's impossible to believe that Ta-

voulareas alone could put together

such a scheme for the sake of his

son's business career, or that he

would want to.

She said one juror, whom she

Neither side called Mr. Comnas

They compromised on \$250,000

Washington Post Service

bung jury.
The critical factor in the jury's decision, according to three jurors interviewed last week, was the fact that the key source for The Post's 1979 article on Mr. Tavoulareas' business dealings, George Comnas, a shipping executive, was not called as a witness by The Post's

hung jury, but declined to be identified by name.

The jury, after deliberating 18½ hours over three days, found that

satory and punitive damages.

which Mobil is a partner.

of the cider Mr. Tavoulareas who was an early source for the story, had slandered both and awarded

against The Post from the start 'Go through the 160 documents and show me where William set up Peter. They asked me for concrete proof. I could not find one piece.

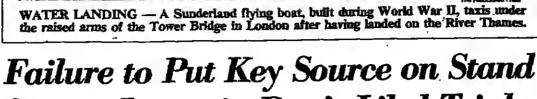
International Herald Tribune WASHINGTON — To encourage voting in 1982 U.S. state and federal elections by overseas Americans, the Federal Voting Assistance Program has released a brochure that provides answers to the most frequently asked questions on absentee voting rights and

It is based on the findings of a survey taken immediately after the "What Pol Pot [the Khmer Rouge leader] did in the past is condemned by every ASEAN for-eign minister and their respective countries," Mr. Romulo said. "We

itary installations, U.S. embassies and consulates, companies with

Under the provisions of the Overseas Voting Rights Act of 1975 every U.S. citizen at least 18 years old has the right to vote infederal and state elections without the control of the con

CAIRO — The chairman of the Suez Canal Authority, Mashour Ahmed Mashour, said Sunday that tee ballots, prospective voters should contact U.S. embassies or the canal's annual revenue will reach \$1.25 billion by 1983 and \$2.5 billion in the year 2000, the consulates, military or corporate voting officers or local Republican and Democratic organizations. official Middle East News Agency They may also write to: Director, Federal Voting Assistance Program; Office of the Secretary of Since the resumption of naviga-tion in the canal in 1975, revenue



By Kenneth Bredemeier

WASHINGTON - Four of the jurors who decided last week that The Washington Post had libeled William P. Tavoulareas, the president of Mobil Oil Corp., initially supported the newspaper but ac-ceded to the position of the two other jurors in order to avoid a

One juror, who described herself as the last holdout before the jury decided in favor of Mr. Tavoulareas, said she agreed to the verdict because "the pressure was getting to me. 1 started having palpitations. I think it was a wrong decision, a total wrong decision."

She said it should have been a

the article by Patrick Tyler libeled the Mobil president, who was awarded \$2.05 million in compen-

The article detailed the 1974 creation of Atlas Maritime Co., a London-based shipping manage-ment firm in which Mr. Tavoulareas' son, Peter, was a partner. The article described how the company did husiness with the Saudi Maritime Co., a shipping firm in

The younger Mr. Tavoulareas also sued The Post, but was given nothing. In a companion case, the jury found that Dr. Philip Piro, an eve surgeon and former son-in-law the Mobil president \$5,000 and his son \$1,000.

E. Franklin Johnson, a 56-year-old U.S. Commerce Department oceanographer, and two other jurors who declined to be identified said they believed the basic accuracy of the story. He said he and the others were unable to cite specific evidence supporting their po-sition to the two jurors who did not believe the elder Mr. Tavoulareas was involved in the establishment of his son in the London

Mr. Johnson said the two jurors

The two jurors who favored Mr.

Brochure to Aid Absentee Voters Prepared by U.S.

procedures.

survey taken immediately after the 1980 elections. The reason most often given by those abroad for not voting was that they did not know how to obtain a ballot.

According to Henry Valentino, the voting program director, the brochure will be distributed to military installations. It's emphassive.

and consulates, companies with U.S. citizens nverseas, passport offices, airlines and organizations serving U.S. citizens abroad.

danger of incurring added tax liabilities or losing nverseas residence status. The 1982 elections will be held on Nov. 2, with all 435 seats in the House of Representatives and 33 Senate seats at stake. At the state level there will be 36 gubernatorial contests and more than 6,300 races for state legislatures. For more information on absen-

Paper Reports Galtieri Wanted Troop Pullout

The Associated Press
LONDON — Lt. Gen. Leopoldo
F. Galtieri of Argentina wanted to
end the Falkland Islands conflict
six weeks before Britain forced a surrender, but he was blocked by a hard-line member of his ruling mil-itary junta. The Sunday Times of London said.

The newspaper said that Gen. Galtieri, then president of the country, decided to withdraw his troops and start immediate negotiations on April 29, the day before the United States announced that it was going to support Britain and impose sanctions against Argenti-

But Gen. Galtieri was overruled by Adm. Jorge Issac Anaya, the navy's hawkish representative on the junta who feared that a withdrawal would bring a huge protest from the Argentine people, The Sunday Times said. Without Adm. Anaya's support, the army general could not force through his order,

the newspaper said.

Gen. Galteiri resigned as president shortly after Britain recaptured the Falkland Islands on June

The Sunday Times, which disclosed none of its sources, said that the Argentine government learned through diplomatic channels late on the night of April 29 that the United States would arrounce its full backing of Britain

the following morning.

The newspaper said that the Argentine president was told that the change in policy would be officially conveyed to the junta at 11 a.m. April 30, and that Argentine lead-

ers would have one hour to react before it was publicly announced. Gen. Galteiri's "face turned Gen. Galteiri's "face turned gray as the implications sank in." according to "nbservers" quoted by The Sunday Times. "Realizing that the military and diplomatic balance had altered dramatically in Britain's favor, he immediately in Britain's favor, he immediately called a meeting of the junta to try
in persuade them to announce the
acceptance of UN Resolution 502

acceptance of UN Resolution 302 and a consequent withdrawal of troops," the newspaper said.

But, it said, Gen. Galtieri was unable to persuade Adm. Anaya, and "from then on the only option was a Falklands war to the death." The newspaper gave no indica-tion of the position taken by the other member of the junta, Gen.

Islanders' Case at UN

Basilio Lami Dozo of the air force

STANLEY, Falkland Islands (AP) — Two Falkland Islands legislators were to leave for New York on Monday to put the case of the British-descended residents be-fore the UN Committee on Decolonization, a strong backer of Ar-

gentina's claim to sovereignty.

Tony Blake and John Cheek, both members of the Falklands' legislative council, will be the first islanders to speak directly to the panel, known as the Committee of

The Committee on Decolonization, whose membership is dominated by Third World countries, has repeatedly urged Britain and Argentina to negotiate a solution that would give sovereignty to

SINGAPORE 1986

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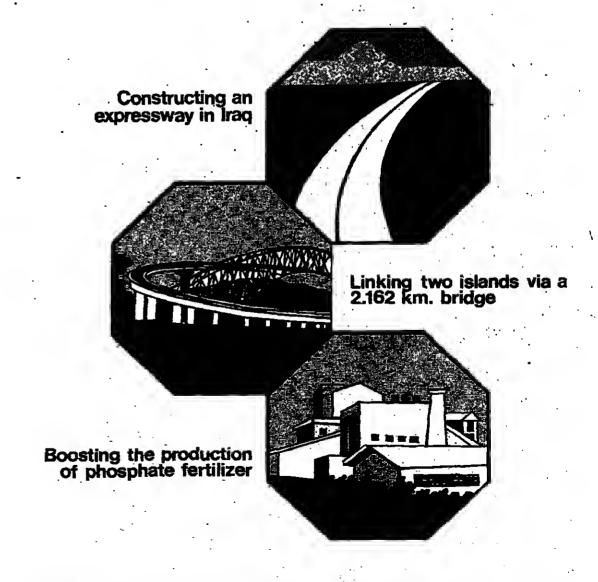
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المكالنمانكم

of year in Indonesia, but the skies rice prices had been rising in some drought-stricken areas of East here in central Java have been so cloudless since May that the dryseason rice crop is suffering, and It is still uncertain if the drought for many Javanese the drought will has damaged less-fundameotal mean serious trouble. crops such as corn, soybeans and Reports of tens of thousands of damaged acres in central Java In about a month, paceklik, or alone have reminded Western agrithe "season of bunger," will begin. In less-productive years than Incultural experts that the Indonesian government's predictions last donesia has known lately, paceklik ended only with the start of the year of imminent self-sufficiency in food were premature. tainy season in October or November, when quick-growing vegetahies could be planted.

Java Drought Imperils

Dry-Season Rice Crop

A normal dry-season rice crop produces a quarter or more of the year's total in Indonesia. But the Minister of Agriculture announced recently that production this year would probably not equal 1981's despite a record wet-season har-

Western Estimates

According to Western agronomists, the government will soon be forced to import several hundred thousand tons of rice beyond the 325,000 tons it has already purchased this year if it wants to keep its buffet stocks high. Since 1979, when the government had to import two and a half million tons of rice, it has shown no inclination to let reserves drop much below that

A report by the U.S. Embassy in Jakarta said a month ago that rice supplies were probably adequate, despite early signs of drought, "un-

of candor, the government has begun to detail the drought's damage. Around the city of Surakarta, especially in areas with little or no irrigation, more than 55,000 acres of rice have been declared incapable of being harvested, and about 70,000 acres elsewbere on Java are expected to yield no rice.

Parts of normally green Java, green even in a normal dry season, are visibly parched. More than the usual numbers of fields have been left unplanted, local farmers say, and the water in irrigation ditches

thousands of people are expected to be affected.

Preliminary Reports

Preliminary reports of even drier eonditions in overpopulated East Java and Bali, as well as in Celebes, Lombok and Sumhawa, have reached Western embassies in Jakaria. There have been few reports from the normally still drier islands farther east of Sumba,

The government's rice stocks, its ability to buy rice abroad and, most of all, the huge wer-season harvest all make emergencies unlikely. Yet even the government concedes that last year's record 22.3 million tons of rice provided a less-than-adequate diet for the country's population of 154 million. Indonesia's food, moreover, like all its wealth, is unevenly dis-

Ouake Hits Central Greece The Associated Press

ATHENS - An earthquake shook central Greece on Sunday but caused no damage or casual-

meeting of the five ASEAN coun-Thailand, Indonesia, Malaysia Singapore and the Philippines — stressed that the key to

BANGKOK - The foreign min-

isters of the Association of South-

east Asian Nations said Saturday

that there had been no change in

Victnam's policy toward Cambo-

dia, where Hanoi has about

180,000 troops. It urged the inter-

national community to support an anti-Vietnamese coalition in Cam-

bodia beaded by Prince Norodom

A statement at the end of a

TOKYO — Premier Zenko Suzuki's government dispatched two senior officials to Peking Sun-

day in bopes of settling the bitter dispute over textbook revisions

that China says gloss over Japa-

Japanese troops in China before and during World War II and dur-

ing Japan's 35-year colonial rule of Knrea. They refer to Japan's inva-sion of China as an "advance" and

to forced labor by Korean workers

China and South Korea reacted

to the revisions with hitter official protests. Criticism was also voiced in Taiwan and North Korea. On

Aug. 1. China withdrew its invita-

tion to Japan's education minister.

less new crop disappearance rates are exceedingly high." Since then, in an unusual show the Cambodian problem remains the withdrawal of foreign troops and the right to self-determination of the Cambodian people.

Vietnam's foreign minister,
Nguyen Co Thach, said at a press

Sihanouk.

Japanese Officials Sent to China Over Textbook Dispute

is running low or not at all.

Given the size of most farms in central Java -- under an acre -- the livelihoods of bundreds of

nese atrocitles. Gnvernment nfficials said Hiroshi Hashimoto of the Foreign Ministry and Hitoshi Osaki of the Education Ministry are scheduled to stay in Peking until Tuesday and explain Japan's stance on the issue and the process through which history textbooks are Flores and Timor. High school history textbooks to be used beginning in April tone dnwn accounts of the conduct of

as a "mobilization." Detailed ac-counts of the Japanese massacre of ahout 200,000 Chinese at Nanking

The drought could combine with in 1937 have been dropped entire-

published by International Business Development with the International Herald Tribune

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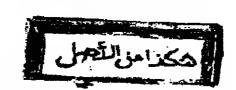
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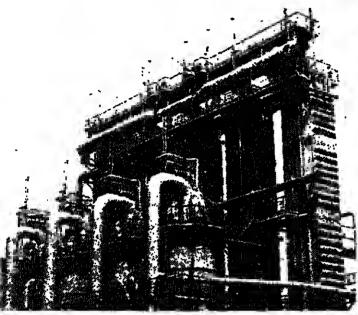
AN ECONOMIC PROFILE

Herald International Tribune
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AUGUST, 1982







THE STEEL MILL: At left, gas coolers of coke oven. Right, modern housing for steel mill workers.

Agriculture: 33% of Budget Marked for Investment Effort

By Kim Gordon-Bates

TSLAMABAD — Serious efforts have been made during the last years to uplift Pakistan's agricultural sector. In the upcoming year, 1982-1983, that effort will be continued. In addition to the beavy influx of international agencies' aid in ooe form or another, the federal government has earmarked the single most important budget provision (33 percent) for investment in agricultural improvement.

Pakistan's leaders and planners are aware that, to be able to assure the break from import dependency soon, crucial progress must be made in production outputs. It has become a truism to say that agriculture is the foremost factor

of the national economy: It makes up 30.1 percent of the gross domestic product (national production minus inputs from outside) and is responsible for 36 percent of export earnings.

Deficient Secto

Agriculture provides a living for approximately threefourths of the population of 84 million and engages 55 percent of the available labor force.

Although agriculture is able to provide the nation with all its raw material requirements for domestic industry and most of its internal consumption needs — in addition to substantial export surpluses in some fields — yields per acre remain some of the lowest in the world.

Forestry is an irremediably deficient sector of agricultural production. The situation was made worse by the unwelcome arrival of 3 million extra head of cattle from Afghanistan and by the dire shortage of firewood. Wood provides Pakistan with 33 percent of its general energy requirements and timber imports tax the national economy, by about \$68 million in 1980-1981.

Otherwise, in more traditional crops, the results last year were slightly disappointing. Value added only increased by (Continued on Page 9S)

Private Sector Is Challenged To Assume Investment Role

By Pearl Marshall

I SLABAMAD — The Pakistan government has declared a moratorium on further industrial investment by the public sector and is now inviting private companies to step in and take up the challenge.

companies to step in and take up the challenge.

It has almost finished all the large industrial projects that it inherited from the previous regime, including the major, Soviet-assisted 1.1-million-ton steel plant near Karacki.

The question oow is how long the country can afford to wait for the private sector's response. There are many factors that could cause the private sector to be reluctant, not the least being a fear that the military regime of President Mohammed Zia ul-Haq might suddenly be replaced by yet another period of Bhutto-type nationalization.

The government's withdrawal from industrial investment is not considered enough of a move in itself to stimulate private sector interest.

If the private sector does not take up the burden, industrial growth will soon start to suffer. Much of its 12-percent growth last year was due not so much to improved efficiency as to the addition of new capacity. If little investment is made in further capacity, stagnation will set in and the government will be forced to act.

Negative Factors

Factors weighing against large-scale private investment include a lack of adequate financial resources (both foreign exchange and local currency); cumbersome and time-consuming government regulations; labor laws and practices that allow excessive job protection for workers; poor infrastructural facilities such as water, gas, electricity, roads and telephones; pricing distortions that discourage efficiency; and a Area: 310,403 square miles. Population: 82.44 million.

Gross national product (1980/1981): U.S. \$30.6 billion.

Inflation rate (December, 1981): 12.5 percent. Exchange rate (June, 1982): 1 U.S. dollar =

12.18 Pakistani rupees.
Foreign exchange reserves (February, 1982): U.S. \$675 million.

Exports (1981): U.S. \$2,880 billion. Imports (1981): U.S. \$5,412 billion.

system of industrial incentives aimed at import substitution.

stitution.

However, the private sector is flourishing on the small scale because its activities are small enough to slip underneath many of the government's regula-

Private sector caution toward the invitation to take over investments in such fields as chemicals, fertilizers, petroleum, cement and engineering is understandable. These were some of the areas nationalized in the early 1970s by Zulfikar Ali Bhutto, whose appetite for Socialism — or quest for "absolute power," as some Pakistani businessmen prefer to describe it — led him eventually to gobble up just about everything on the banking and industrial front including the thousands of rice husking and cotton ginning mills throughout the country. These small industries were immediately de-nationalized when Gen. Zia came to power.

Although nationalization was bad enough in itself, (Continued on Page 13S)

Textiles: Remedial Measures Bear Fruit

ARACHI — Textiles have always been the mainstay of Pakistan's manufacturing industry. Yet, ever since the country's "golden age of spinning and weaving" in the 1950s and 1960s, the textile sector has been living a persistent crisis.

The nature and complexity of the crisis have not always been the same, but a succession of unfavorable international market conditions, weather mishaps and disastrous industrial policies, did much to shatter Pakistan's previously excellent record in the business.

The first crisis, which could have been most serious, was actually easily resolved. In 1971, the secession of what had beeo East Pakistan and the creation of Bangladesh deprived West Pakistan of a \$140-million-a-year export market. Pakistan reacted quickly to the loss and was able to find new and lucrative export outlets for its textile production, something that was certainly enhanced by the sudden 1972-1973 worldwide boom in demand.

To respond to the potential market, Pakistani industrialists went for massive investments and machine-improvement projects. Unfortunately, by the time these projects had materialized, the boom was over and had made way for an equally worldwide recession.

The slump lasted and exports dwindled. Even by the time things were beginning to clear up and the world again was clamoring for cloth and yarn, Pakistan's textile industry was incapable of meeting the recovered opportunities. Industrialists blamed the Bhutto administration for both its heavy-handed insistence that sick units should remain operative and at the same time accept what the industrialists considered to be suicidal wage increases and general labor costs for a decreasingly productive work

The basic unpopularity of the Bbutto government among the captains of Pakistani industry deterred further investments and modernization. Ultimately, spinning and ginning units contracted buge liabilities. Many closed or were nationalized; lucky ones were just about able to hobble along units that will take only the property of the p

til the military coup in 1977.

It is worthwhile pointing out that, while it is true the Bhutto government through inconsistent and short-term policies had direct responsibility in the worsening of the crisis, sole blame cannot be placed on the 1972-1977 adminis-

Nuclear Power: Approval Linked With Peace Pledge

R AWALPINDI — Pakistan will seek bidders for the construction of its planned \$1.7-billion Chashma nuclear reactor in the Punjab sometime in the next six months in hopes that at least one Western country will risk international censure and assist it with its program for nuclear electricity.

The decision to push shead with the project comes after repeated official and unofficial protests by Western countries about clandestine purchases by Pakistan of sensitive equipment that could be used to make nuclear bombs.

could be used to make nuclear bombs.

Pakistan says the 900-megawatt Chashma plant is essential, along with the rest of its nuclear program, because of a critical energy need and lack of significant oil resources. The country produces only 12 percent of its oil requirements, and its imports of crude oil and petroleum products amount to a crippling \$1.7 billion annually, representing more than 60 percent of foreign-exchange earnings.

change earnings.

Although its gas reserves have been Pakistan's salvation in the past, and now contribute 42 percent of the country's total annual energy requirements, there are fears that at the present rate they could be exhausted in 20 years unless new discoveries are made.

Closing the Gap

A concentrated effort to develop both nuclear power and hydroelectric resources to meet the projected 8,500-megawatt power gap by the turn of the century is therefore seen as vital.

The Chashma reactor, which could be operating by the end of the decade, is to be followed by two more 900-megawatt units, scheduled for operation in 1994 and 1997, under a plan drawn up

by the Water and Power Development Authority.

"Pakistan is determined to acquire nuclear technology, but nuclear technology for peaceful purposes," President Mohammed Zia ul-Haq said in a recent interview. He noted that the Chashma plant, 175 miles (280 kilometers) southwest of fslamabad, would be subject to stringent international safeguards.

He insisted that countries such as Pakistan had the right to the

He insisted that countries such as Pakistan had the right to the latest in peaceful nuclear technology.

"If the advanced countries are a bit stingy then we will acquire."

"If the advanced countries are a bit stingy then we will acquire it ourselves ...even if we have to beg, borrow or steal," Gen. Zia said. "And stealing is something we have already been labeled with."

Press reports have charged that Pakistan has made surreptitious

purchases of enrichment and reprocessing equipment from countries including the United States, Britain, the Netherlands, Switzerland and West Germany in order to avoid international safeguards.

Acknowledging that what he called "the bomb business" had

Acknowledging that what he called "the bomb business" had arisen mainly because of talk of secret uranium enrichment activities at Kahuta, oear Rawalpindi, Gen. Zia said it was no secret the country was enriching uranium.

"It's a very modest program," he said, adding that it would use uranium from Pakistan's own mines for future Chashma power

"It's a very modest program," he said, adding that it would use uranium from Pakistan's own mines for future Chashma power reactors so the country would not be dependent on outside sources for enriched uranium fuel supplies.

Conflicting Evidence

Western and Indian sources challenge this explanation, arguing that enrichment technology is too expensive to be undertaken solely for a limited nuclear power program. They also point to a considerable amount of evidence that they say documents a serious Pakistani effort to build a nuclear weapon. India's explosion of a ouclear device in 1974 was said to have been the impens for Pakistan's attempt to build a bomb of its own.

Particularly expensions our Krishnaswami Subrahmanyam di-

Particularly significant, says Krishnaswami Subrahmanyam, director of India's Institute for Defense Studies and Analyses in New Delhi, is that the uranium enrichment project under the leadership of Abdul Qader Khan is separate from the activities of the Pakistan Atomic Energy Commission. "It is a special project under the Pakistan Ministry of Defense and is modeled somewhat on the wartime American atomic bomb development project," he adds.

Despite these arguments, there is some indication that Pakistan

might get a bidder for the Chashma reactor.

"I could make a good case to my government based on their [Pakistan's] current energy difficulties," said one senior Western diplomat stationed in Islamabad. "One way to dissuade them from the bomb would be to help them with their peaceful nuclear

While the United States requires acquiescence to safeguards

Exports: Radical Shift in Direction

KARACHI — The thrill of World Cup soccer reached the people of Sialkot, a hot, dusty town in Pakistan's western Pmjab provioce. Pakistani craftsmen there had been asked to make all the balls oceded for the tournament.

Earlier this year, the sporting goods giant Adidas had contracted two Sialkot-based firms to assemble 25,000 soccer balls a month, using local leather.

While those deals gave a muchneeded boost to local industry, soccer balls are not exactly typical of Pakistani trading. Like many developing nations, Pakistan derives most of its foreign exchange from sales of primary com-

modifies to developed countries.

Raw products accounted for 65 percent of total exports in the 1960s. Through a consistent effort in export policy, the share of non-manufactured goods in total exports fell to 43.8 percent in 1980-81.

Good Results

Export results have been generally good since 1976-77. That year, exports brought in \$1.13 billion; slowly, despite the problems affecting the agricultural sector, export receipts grew to a record \$2.9 billion in 1980-1981.

Basmati rice was the single most profitable export: Its sales produced \$565.8 million, with 64 percent of rice shipments going to China

Sugar-cane crops have been consistently good, and after having to pay \$98 million to import sugar for the last three years, Pakistan hopes to be in a position to export some

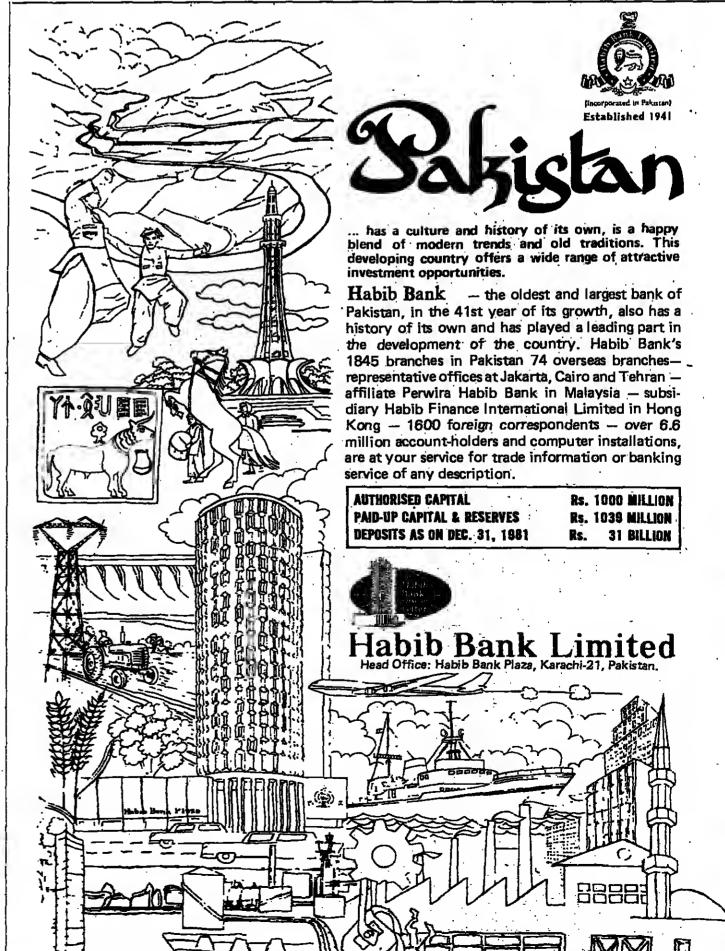
this year.

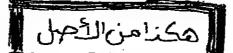
The major achievement, though, has been Pakistan's ability to attain self-sufficiency in wheat: Wheat imports cost the nation \$64.3 million in 1980-1981 and \$106.1 million the year before.

But the unpredictability of

But the unpredictability of world commodity markets has clouded the export picture. Orders for raw cotton last season fell 73.6 percent, and prices were 30 percent lower than the previous season. Meanwhile, this year's crop is expected to be the best ever at 4.4 million bales, 4.7 percent better than last year. Rice exports have dropped by 21.1 percent for the same period.

The export slump reflects improvements worldwide in rice and cotton crops and the effects of recession on textile manufacturing.





'79 Port Renewal Began Revitalization of Road, Rail and Shipping Systems

country's road, rail and port systems that is continuing today.

Now ships can berth in Karachi on the day of their arrival rather than wait 40 or 50 days, and cargo can be on the road almost immediately. Hoarding and black-marketing of goods due to distribution bottlenecks are a thing of the past.

But although the road transport system and the Karachi port are operating much more efficiently. Pakistan still has to upgrade the quality of its roads, introducing major new highways to backward areas. It must also make considerable investments in new airport facilities and rail-

Renovating the railroad system is seen as particularly urgent.

"It's been in a mess for the past 20 years," said Railways Minister Lt.
Gen Saeed Qadir. "The track is old, wagons and engines are worn ont and the people are demoralized." He was made railways minister last year in the hope that he would bring the same efficiency to the rail

system as he did to solving the transport crisis in 1978 and 1979. Gen. Qadir is the man generally credited for the crash reorganization of transport when the crops failed. Using skills acquired as quartermaster-general for the army, he requisitioned the country's pickup trucks and vans, boosted domestic truck assembly and purchased hundreds of Mercedes trucks from West Germany to help clear the 30,000 tons of daily cargo from the port of Karachi, as well as a massive backlog that had accumulated over the years.

The Mercedes trucks still operate under a command system run by Gen. Qadir known as the National Logistics Cell. This was originally created for one year to cope with the wheat crisis but has since become permanent, handling any task involving the shipment of commodities, as well as road construction and repairs and rehabilitation of grain storage

The first 500 West German 10-ton trucks, with 10-ton trailers, have been increased to a fleet of 1,260 similar-size trucks and 125 tankers. They are backed by a maintenance workshop near the Karachi port and another in the north at Gujranwala on the main national highway, 40 miles (65 kilometers) from Lahore.

Pakistan's development of its other transport facilities includes:

AIRPORTS — Although the Pakistan International Airlines fleet has expanded rapidly during the last 20 years, the ground facilities have

ARACHI—The unclogging of Karachi's port in 1979 in an "Operation Survival" to smooth the way for massive wheat imports when Pakistan's crop failed was the start of a managerial reorganization of the country's road, rail and port systems that is continuing today.

Name the analysis of the congestion is so acute that the government is creating a Civil Aviation Authority—an autonomous body along the lines of the London Airport Authority—to raise funds on a commercial basis and push through long-awaited development projects that the government could not afford to finance.

Nurul Hanafi, director-general of the Department of Civil Aviation, estimated that it would cost 6.5 billion rupees to catch up with the necessary construction work over the next six years, including 755 million rupees for a third terminal at Karachi catering to international traffic, 125 million for a terminal at Labore, 1.5 billion for a new airport at Islamabad, 70 million for a new runway at Labore and 70 million for a

parallel runway at Karachi. Other, smaller projects call for extending the terminal buildings at Multan and Faisalabad for 50 million rupees; rebuilding the Faisalabad runways to take wide-body jets, which will cost 90 million; developing Nawabshah, 100 miles northeast of Karachi airport, as an emergency landing alternative; and strengthening and lengthening runways to take the new twin-engine planes PIA plans to huy, which should cost 50 million and 240 million rupees, respectively. These runways are at Sukkur, Moenjodaro and Hyderabad in Sind province, Turbat and Pasni in Baluchistan. Dera Ismail Khan in the North-West Frontier province, and Gilleit and Fiscalini at the north and Gilvit and Skardu in the north.

Mr. Hanafi said that the third terminal at Karachi was more urgent than the new Islamabad airport and that, if financing proved difficult, the main construction in the capital would be delayed until the seventh five-year plan, starting in 1988-1989. The sixth plan covers only land acquisition and basic infrastructure, which would limit present costs for Islamabad to 150 million rupees.

Mr. Hanafi has had two foreign offers to finance the Karachi terminal. With formation of the autonomous aviation authority, this type of assistance could be readily accepted. Karachi is the most congested of Pali-

stant's 25 airports of various sizes, taking 60 percent of the domestic traffic and 90 percent of the international.

Belt-tightening measures and heavy trimming of one of the largest airline staffs in the world have helped PIA bounce back into a healthier position in the 1981-1982 fiscal year, showing a profit of \$22 million, against \$7 million in the two newloss weare

against \$7 million in the two previous years.

Projecting a profit of \$38 million this year, PIA's chairman, retired Maj. Gen. Rahim Khan, said that the company hoped to continue boosting profits until it could modernize its fleet from its own resources.



• PORTS - The 5.5-billion-rupee Port Qasim, 25 miles (40 kilometers) east of Karachi along the desert coastline, is slowly becoming oper-

Apart from a special bulk-handling terminal that receives iron ore and coal imports for the neighboring Soviet-assisted steelmill, which has been operating since September, 1980, the port will have seven berths for handling hulk cargo. Much of this cargo will be public sector imports of cement and exports of agricultural products such as cotton and rice, with possible wheat and fertilizer exports coming later. Two berths are completed and have been used to export pig iron and coke from the steelmill. The other five are to be ready by early next year.

The government will have to decide soon whether to add an urgently needed container terminal at Port Qasim or opt for one at Karachi. A feasibility study by the Japan International Cooperation Agency appears to favor Karachi, where costs would be lower.

A master plan for development at Karachi port, which has 30 shipping berths, foresees an additional 100.

The Japanese feasibility study of the container-handling complex covers the first six berths of these 100. The study estimated costs at \$100 million. The project would eventually be put out to international tender, according to Aftab Alam, general manager of planning and development for the Karachi Port Trust.

Feasibility studies for the second, third and fourth stages of the master plan have also been completed and their development is expected to take 20 years. They would all be container terminals, with construction costs -allowing for inflation -- as high as the first.

Pakistan also plans new fishing ports at Ibrahim Hyderi, between Karachi and Qasim, and at Pasni in Baluchistan. They would help boost sales of dried fish to Pakistan's traditional overseas markets, which include Sri Lanka and Japan. Construction contracts for the fishing ports are still to be awarded by the Sind and Baluchistan provincial govern-

A third site for such a fishing port, at Gwadar, 40 miles from the Iranian border, has been the subject of a feasibility study by the Japanese agency. Completed last year, the study finds the project to be viable

and estimates development costs at 360 million rupees, with a foreign exchange component of 290 million rupees.

The Japanese backed out of developing Gwadar because of possible military applications. Pakistan is looking for other external assistance to

develop the harbor.

develop the harbor.

The Pakistan National Shipping Corp, recently acquired 13 new medium-size cargo ships of 14,000 to 18,000 tons from Denmark, Britain, Japan and Poland. Further purchases will probably be container ships, said the corporation's chairman, Rear Adm. A.W. Bhomabal.

A 14th cargo ship, of 17,000 tons, is under construction at Karachi Shipyard and Engineering Works, which has built 162 ships, tugs and other vessels, five of them oceangoing vessels of 13,500 tons. The latest cargo ship is being built with materials supplied by Japan under yen credit.

 ROADS — Although the Indus right bank road, which would have offered an alternative route from Peshawar to Karachi, has been shelved for the time being because of financial constraints (some sources him that the delay was encouraged by the United States because of the danger of opening up a major pathway for the Russians in Afghanistan to reach the Arabian Sea), plans are under way to turn the existing national highway from Peshawar to Karachi into a dual carriageway. Some private sector agencies in Pakistan and abroad, particularly in the United

Arab Emirates, have offered to take up certain sections of this project, according to F.K. Bandial of the Ministry of Communications.

Emphasis is being put on developing farm to market roads to open up the more remote areas of the country. Such construction will be the responsibility of the provincial authorities, but the federal government

responsibility of the provincial authorities, but the reactar government will provide funds to stimulate activity.

• RAIL — Pakistan is setting up a \$100-million tocomotive assembly plant, with Japanese help, near Risalpur in the North-West Prontier province, with 30 percent to 40 percent of the financing covered by yencredits. Plant construction should start early next year. Capacity will be about 25 locomotives a year. Pakistan Railways has about 1,100 locomotions half of which are coarmensives and many of which are more than tives, half of which are steam engines and many of which are more than

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Exports: A Radical Shift in Trade Direction

(Continued from Page 7S) income. Overall, exports have de-

creased by 17.9 percent.
The Zia administration has taken several steps to increase foreign exchange earnings through ex-ports. Although the measures are not new in themselves, foreign economists say the government appears to be approaching the prob-lem more seriously than in the

Until now, 37 percent of total exports came from two public-sector agencies, the Rice Export Corp. and the Cotton Export Corp. Although there are no provicrease value-added tax and to move from a reliance on the capricious world markets in commodi-

ties toward diversified exports. Pakistan now exports 100 iter

up from 35 a few years ago. Measures to boost private enterprise include the lifting of duty on some imported machinery, a rule change allowing companies to retain a greater percentage of for-eign export earnings, new compen-satory rebates varying from 7 to 12 percent of FOB value, and a range of new export credit facilities (primarily, loans at 2- to 3-percent in-

Pakistani manufacturing once enjoyed a degree of international renown. Since the days of the British, Sialkot has produced surgical instruments popular with British surgeons. The carpet and rug industry leads the list of manufactured export goods, with 1980-81 carnings of \$226.6 million. Even

bagpipes are made here. 25 and 55 percent of capacity.

The present downturn in exports has brought bitterness against the West European protectionist poli-

tariff barriers, they [the West] are continuing to devise more and more spokes and hurdles against the flow of trade from the developYoucef, vice chairman of the Export Promotion Bureau.

Javed Burki, vice secretary at the Ministry of Commerce, put it more bluntly: "Whenever we develop a commodity which competes with the West, the West retorts by slamming restrictions on

The sore point is textiles. Textile exports are one of the few commodities with a favorable export record in the latest fiscal year (reccipts of \$241 A million for a 22.3percent increase). Pakistan is unhappy with the terms of the latest ternational accord that sets limits on exports from the producing na-

lieves that "The balance is more equal with our Far Eastern trade Certainly, the last five ars have brought a radical shift trade directions

in 1976-77, Western Europe ranked second in both exports and imports (28.7 percent of exports

and 26.9 percent of imports); last year. Europe had fallen to third position (18.7 percent of exports.

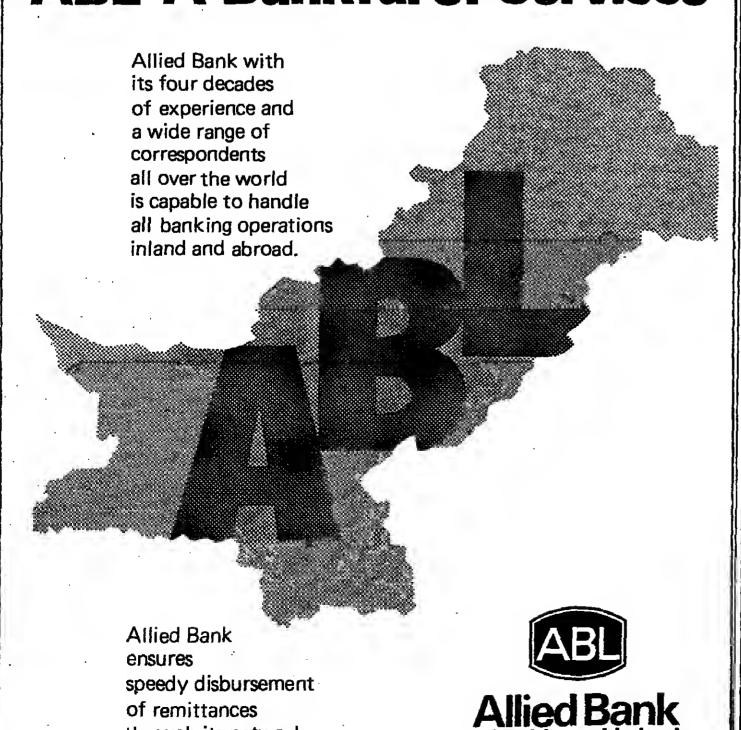
and 22.5 percent of imports).

Along with its products, Pakistan is seeking to diversify its trading partners; the top client now is China, which takes 12 percent of Pakistan's exports. Markets also have developed in both the Middle East and the Far East Pakistan now has trade with 162 countries:

Fish exports, up by 18.3 percent from last year, have won substan-tial markets in Japan (55 percentof the total catch, all shrimp), Sir Lanks (salted fish), and the Mid-1980-81, and the figure is expe

moves toward protectionism-make the export record seem uncertain Pakistan's balance of paymen figures are improving neverth Last year's export total rose to 54.7

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-PAKISTAN-

Banking: The Islamic Factor Becomes An Official Ingredient of System

KARACHI — In 1979, following a presidential directive. Pakistan's nationalized banking

system put religion into its savings books.

As part of the gradual Islamization of Pakistani society, the newly created Council of Islamic Ideology began a program aimed at ending unfair

Other changes made at the same time, such as the institution of interest-free loans to farmers and to needy students, were described by President Mohammed Zia ul-Haq as moves to remove inequality among Moslems.

Usury has always been seen as ungodly in the Islam world.

Abdus Jabbar Khan, the president of one of Pakistan's largest commercial banks, the Habib Bank, noted that usury was despised by Aristotle and was hotly debated among 16th-, 17th- and

18th-century philosophers in Europe. So high-in-terest loans were a natural target in the Islamiza-

The new banking system is called musharaka, or interest-free banking, although it is not strictly Islam has always encouraged trade based on

"fair and honest proceedings" and has recognized the right to profits earned in that way. As a first move, the term "interest-free" was redefined as "profit- and loss-sharing."
Under the new system, both parties to a transaction agree formally on an acceptable division of

future profits and, in the case of a loss, agree to bear the setback equally. First to conform to the new practices were institutions such as the National Investment Trust, the (Continued on Page 10S)

The lowest units receive some

revenues directly (rents from mu-

nicipal property and tax levied on transported goods, for example).

That money is used generally for nondevelopment administrative

As an experiment the five-year plan that begins in 1983 will band

10 percent of the total develop-ment budget to the local councils

to invest as they see fit. Adminis-

trative reform also has enabled the

Encouraging Local Initiative

finance and other topics.

overnment to improve its tax-col-

RURAL DEVELOPMENT

Elèctricity has become important not just in the fight against illiteracy and for social welfare, but also to provide a cheaper alternative to the diesel irrigation pumps that have become so costly to run because of high oil prices."

ISLAMABAD — Within the next ment sometimes led to large-scale waste, and the returns on the monment planners hope to change radically the face of the country's rurai landscape.

In recent years, it had become increasingly apparent that barriers between town and country, rather than breaking down, were becoming more pronounced. The vast hinterlands were gindually drifting

In this respect, the minister for local government and rural development, Syed Fakhar Imam, is unhesitatingly critical of past poli-cies. He said rural development had been "utterly neglected by all previous administrations," but added, "There has been a radical change of policy." He takes pride in the fact that he himself has a rural background.

There were, in fact, a number of efforts in the past to modernize the rural sector and improve life there through various welfare programs. They bad noble-sounding names such as the Village Aid Program. the Rural Works Program, the Basic Democracies Scheme, and, more recently, the People's Works Program and the Integrated Rural Development Program.

Unfortunately, bad manage-ment and lack of genuine commit-

State Life was established on 1st November, 1972, follow-

ing the nationalisation of Life Insurance Business the same

year in Pakistan. Since then it has maintained a steady

pace of progress in all phases of its operations.97 1 % of

State Life's surplus is credited to its Policyholders. State

Life was recently conferred upon Gold Mercury Inter-

national Award for productive development on the

Group

49.6

58 8

60.9

: 72.9

94.9

114.8

120.8

CLAIMS PAID FROM 1.11.1972 TO 31.12.1981

(Rs.)

930 million

Total Claims Paid: Rs. 1787 million

Bonus Rates Per Rs. 1000 Sum Assured Per Annum

1974

national concern

Insurance corporation of Pakistan

for the nation's future

22

1494

1534

1735

1943

2194

2494

3111

3451

Group Insurance

609.7 million

1980

35

19

12

6.6

7.4

8.0

8,8

9,8

10.3

9,9 10.0

11.0

(Million Rupees)

strength of the following solid achievements:

218.9

234 2

243.6

253.5

277.6

305.4

397.0

Ordinary Life

48.2

53.9

49.9

56.6

55.7

80.1

97.7

110.0

132.0

Ordinary Life Insurance

Death Claims Maturity Claims

1.11.72

1973

1974

1976

1977

1978

1980

247.3 million

Whole Life

Endowments

15 to 19 years

Unto 14 years

20 years and over

ey invested in these projects often were small.

Mr. Sved Fadhar Imam says a new spirit has been brought into his ministry. Two of the old aid programs were merged and priorities were outlined, each with set

targets.
Funds for rural development stem from four sources: international agencies such as the International Development Association; the federal government; the provincial governments (officially there are four — Punjab, Sind, Baluchistan and the North-West Frontier Province, in addition to the administrations set up in disputed territories with India); and local resources.

In recent years, some innovative uses have been made of local resources, a development that the minister welcome

The first local council elections in Pakistan in 20 years were beld in September, 1979. About 4,160 councils, both rural and urban, elected their representatives on a nonparty basis. In the rural areas, a three-tier administrative framework was set up: Eight to 10 villages would form a so-called union council, which fell under the jurisdiction of a Tehsil council, which in turn answered to a district coun-

expenditure, while federal funds are to be invested in development A national budget of \$3.25 billion in the coming fiscal year aims for 5-percent growth in the farming sector (the plan calls for 9-percent industrial growth and 6.3-percent overall growth.) The key areas for rural development are primary education, bealth and drinking wa-STATE LIFE ON THE MOVE ter. Also high on the list are electrification, road improvement and mechanization, the latter in a bid PROGRESS AT A GLANCE to boost agro-based industries and

> Private enterprise this year vested \$2.05 billion (up from \$1.66 billion the year before). The government seems reasonably satisfied with that.

case large-scale rural unemploy-

Little Malnutrition

The life of the rural inhabitant in Pakistan is not nearly as miserable as it is in some parts of Asia Africa. Infant mortality is high (120 per 1,000) and life expectancy is low (52 years compared with age 74 in the Western world), but malnutrition is not at critical levels. Officials estimate that only 2 to 3 percent of rural adults suffer from malnutrition. Yet the situation is precarious: One really bad spell of weather could cause mortality rates to soar.

To provide security against that, Pakistan needs tremendous im-provement in its rural infrastructure. The electrification record is a poor one. As recently as 1977, only 5,800 of the country's 45,000 vil-lages had access to electric power. By 1982, an additional 7,000 villages had electricity, but that still left nearly three-fourths of the villages without power.

Electricity has become impor ant not just in the fight against il-literacy and for social welfare, but also to provide a cheaper alternative to the diesel irrigation pumps that have become so costly to run because of high oil prices. The minister for water and power, Raja Sikander Zaman, has pledged to bring electricity into an additional 3,000 villages in the coming year. Priority is to be given to village that have offered to pay up to 30 percent of the installation costs.

Even those localities with pow hookups have problems. Angry farmers complain about frequent power cuts. In some villages, thes last up to three hours each day.

Road-Building Efforts

Another major undertaking road-building which is essential for delivering farm products to town markets, and vital in ensuring the timely arrivals of fertilizers (crops bave been known to fail be cause of delays in fertilizer deliver ies.) The record here has not been bad: From 1978 to 1983, 3,970 miles (6,400 kilometers) of roads of one type or another will have

been constructed.

Mechanization plans call for introducing about 20,000 small tractors through the country.

Special attention should be give

to Baluehistan, the largest of Pakistan's provinces, the most sparsely populated and the poorest (1981 per capita income was \$125). The province, which is partly

Agriculture: 33% of Budget Marked for Investment Effort

4.1 percent following the 4.4 percent achieved in 1980-1981 and the record figure of 6.9 percent in 1979-1980.

The slowing of the growth rate is explained by unseasonal rainfalls delaying cotton-seed sowing, hailstorms that caused damage to the wheat harvests, and hlight attacks on pulses that cut down target expectations by as much as half.
"Cropping intensity in Pakistan stands at an average of
95 percent [one crop a year equals 100 percent), said Saeed
Qureshi, secretary in the Ministry for Food and Agriculture,
"and although it has wrongly been said that our country is
ideally suited for agriculture—the soil is good the general ideally suited for agriculture — the soil is good, the general covironment is good — the climate is a little too harsh. The intensity of heat cuts off photosynthesis after a very short

period of maturation."

Consequence of the climate or consequence of more human inadequacies, it remains that agriculture-related imports weigh the balance of payments by some \$600 million — 15.6 percent of total imports of which only tea (2.2 percent) is a commodity that could be difficult to reduce.

Crop yields, though, have been slowly rising, and Pakistan's foremost achievement has been with wheat. Until last year, Pakistan still had to import flour, a trend that was halted in 1980-1981.

Self-sufficiency was reached, and in the years to come Pakistan hopes through yield improvements in its "Punjab granary" to become a wheat-exporting nation. Rust-resistant varieties of wheat seed are being dished out

to farmers; consequently yield per hectare has been slowly rising (5 percent in 1979-1980; 5.4 percent in 1980-1981; and 2.1 percent so far 1981-1982.) Due to the rainfall situation, the wheat crop this year should be slightly below the

12.2-million-ton target Rice is grown on 10 percent of the national cultivable area (wheat, 35 percent; cotton, 10 percent; sugarcane, 4 percent and maize: 3.5 percent) and is Pakistan's top export

Favored by a good international climate, rice exports were able to bring in higher export earnings than in the previous year (\$565.8 million in 1980-1981 against \$422.2 million) despite a serious shortfall in production due to bad weather (3.22 million tons in 1979-80 against 3.07 million

This year's weather having been suitable for rice cultiva-tion, the 1981-1982 target is set for a record 3.4 million tons.

Cotton is not only the country's second-most important export commodity (\$525.5 million 1980-1981, a 57% increase in revenue over the previous year) but is Pakistan's main source of material for her domestic industry.

Victim of Pricing

This year's cotton exports were victims of unfavorable international pricing and a fall in demand, but the 1981-1982 crop is expected to be the best so far with a target of

Sugarcane production has increased. From a situation of

imports three years running, the expected bumper crop in 1981-1982 (34.1 million tons) should provide vast exportable surpluses although depressed international market

prices make this eventuality improbable. The record is a deceptive one. If it is true that output has increased in most key crops, this is mainly owing to reasonnably good overall weather conditions and to some headway in agricultural extention.

Irrigation System

Yield per hectare increases (+2.39 percent, +7 percent, +4.73 percent and +6.74 percent for wheat, rice, cotton and sugarcane, respectively) were made possible through the distribution of improved varieties of seeds.

Little or no improvement has touched the two major constraints stifling agricultural outputs, water availability and fertilizer use.

Pakistan has one of the largest integrated irrigation systems in the world: 56,000 kilometers of canals and 160,000 kilometers of watercourses in the fields. But, as Mr. Qureshi explained, "it is a very old system derived from the days of British rule, and not only is the system badly in need of repair, but in those days, the British farmer wasn't ton concerned about the problems of salinity and water-logging."

Water is both misused — farmers believe that the more they water a crop, the better the yield will automatically be - and lost. Leaks in the system account for up to 45-percent water wastage. In addition to the needed repairs and the establishment of proper cattle paths and culverts in good shape, water-logging and salinity have become "twin menaces" threatening vast tracts of the 14.29 million hec-tares of irrigated land in Pakistan (71 percent of land under cultivation.)

In all areas, both the federal government and international agencies have invested hard cash. To recover some of the 5.18 million hectares of cultivable land presently saline and some - if not all - of the 6.88 million bectares plagued with water-logging, a 10-year program is at work. By June, 1980, \$4.5 billion had been spent.

The solution is to set up horizontal and vertical drainage systems; between 1975 and 1981, 340,000 such tubewells were laid. Crash program involving voluntary farmhouse labor were able to bring about the thorough cleaning up of 12,000 watercourses in Punjab alone. The consequence was that water-availability went up by 3.9 percent at farmgate in

The fertilizer issue is a different problem altogether. Nitrogen-based products were previously grossly overused in relation to phosphate-based chemicals.

Nitrogen-based fertilizers were increasingly popular with farmers between 1975 and 1980. This was a result of the beavy subsidies invested in fertilizers to initiate farmer use.

With the rise in the cost of oil products, the subsidies are

being gradually withdrawn. At the same time, Pakistan has moved to increased import substitution in this field. The removal of the subsidies is being carried out selectively, hitting the nitrogen-based products harder to encourage the use of phosphates, important for wheat.

The application of fertilizers per cropped hectare bas remained stable during the last two years (55 nutrient kilogram/hectare) (ollowing a sharp decrease once price leveling has been removed. Considering yields have slowly increased, this means that farmers have begun to use the chemicals more carefully. chemicals more carefully.

With the improvements in agriculture extension and rural development, the coming years should be propitious to Pakistani farmers. Certainly the money, from government hudgets and from international assistance, is all there; neither can the scorching sun be completely blamed for short-falls. What is needed oow is the human push.

Water Buffalo

Wallowing its way through life, canals and ditches, the water buffalo is one of the Indian subcontinent's eternal values, and in Pakistan the animal's economic importance is considerable. The country's 12 million huffalo population provides the bulk of the nation's requirements in milk and sometimes meat, but also, despite mechanization, the buffalo still provides 85 percent of the rural area's monve power, from pulling carts to tilling fields.

As a subsector of agriculture, livestock management accounts for 8.05 percent in Pakistan's gross national product, yet like in all other agricultural sectors, its prime characteristic is its grossly underused potential. Pakistanis are meat-lovers (vegetarianism is unknown), but the per capita consumption of meat is low: 10.2 kilograms a year, a situation in which the rationing of meat via the imposition of two meatless days every week bas not really had any convincing

Meat production at the present is I million tons a year Programs are at work that should provide an additional 0.5 million tons of beef. The main thrust is to provide cattle farmers with the foodstuffs that will enable them to feed their animals more than at simple maintenance level.

Milk then remains one of the country's main sources of protein. Yet production only rises by 2 percent each year while the urban population is increasing by 8 percent. Pakistan's per capita ratio for milk is the highest in the region (901 liters/annum) and the economy only has to buy an extra 4 million tons of dried milk each year to make up for the insufficiency of the 9.2 million tons of milk produced.

To make better use of the "milk lakes" of Punjab and Sind, the government is attempting to convince local and foreign investors to establish better collecting systems as well as cooling plants. The incentives used, such as tax holidays, no duty on imported machinery and leave to bypass the land reform's limitations on holdings, have had some success as projects for joint ventures stemming from Dubai, Saudi Arabia, Kuweit and Canada are in the pipeline.

Agronomists are conscious of both the limitations and the latent potential. Apart from openings to investors, the Department of Agriculture, with UNDF, IFAD and IDA assistance has embarked on program destined to improve the quality of the indigenous livestock.



Pakistan International Airlines comes home to a big celebration-**Pakistan National Day**

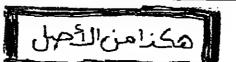
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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|--|
| MODERN TECHNOLO | OGY | |
| A modern industrial base, a large reservoir of skilled labour, advanced technology this is the back drop for Pakistan's engineering sector. A combination of technical and physical skills that produces more and hetter for less. In light engineering the product range includes agricultural implements, bicycles, electric fans, radio components, centrifugal pumps, transformers, electric generators, motors, wires, and cables to name but a few in the ferrous field a host of items from wire nails to steel structures. Complete plants of cement and sugar conton-ginning machinery and road building equipment, ships barges and rallway carriages are examples of the diversity and modernity of the heavy engineering industry. It can justly be said of Pakistan that it has complete command of the language of engineering technology | | |
| | | |
| | | |
| EXPORT PROMOTION BUREAU Government of Pakistan, Press Trust House, 2nd Floor, I.I. Chundrigar Road, Karachi, Pakistan | | |

| Items | % of Total Industrial Output | Units | 1979/80 | 1980/81 | 1981/82 Target |
|--------------------------------|---------------------------------|-------------------|---------|---------|-------------------|
| | | TILL CI | 362.8 | 374.9 | 390 |
| Cotton Yarn | 13.9 | millions of kgs | | 307.9 | 350 |
| Cotton Cioth | 13.0 | millions of sq.m. | 342.3 | | n.a. |
| Jute Goods | 0.6 | 1000's of tons | 41.8 | 50.2 | |
| Sugar | 7.4 | 1000's of tons | 586.0 | 851.0 | 880 |
| Same The Principal Federal But | mou of Statistics | | | | |

Textiles: Remedial Steps for Sector Bear Fruit

(Continued from Page 75) textile mills were able to earn sub-stantial profits, at least in the early days of the Bhutto era, but through inexperience they were incapable of upgrading their prod-ucts when world market conditions dictated the need. The loss of coofidence between industry and gov-ernment did the rest.

The Zia administration then laid down and has since consistently reiterated the driving force of Pak-istan's new industrial policy: to reassure the private sector. In a first move, it offered to give back nationalized units to their original owners, and some ginning (separa-tion of cotton from seed) factories were successfully denationalized. But regaining trust is not an easy business. Pakistan's industrialists wanted concrete evidence that things had changed.

High Liabilities

Liabilities contracted through poor management during the nationalized phase were in some cases three times the original investments. Until the slate was cleaned, few industrialists felt motivated enough to recover their former en-

The textile industry ocvertheless benefited from the measures that the government adopted to boost industrial production in 1977-1978. These measures included the opening to the private sector of industries that had been earmarked by the 1972 Economie Reforms Order for public sector investment alone. The measures also included tax concessions, exemption from certain excise duties, accelerated depreciation, import relaxations and so on.

On top of all these early measures, the import policy outlined

for the exercise of fiscal year 1982-1983 went one step further. In a bid to promote both import substirution and greater export achievements, 90 new raw material and capital goods items have been exempted from import duty. To encourage exports, imports of foreign machinery are now allowed up to a worth of \$500,000, against the previous \$300,000 allowance. Like-wise, under the BMR plan (balancing, modernization and replenishment), an exporting unit can contract machinery worth \$1 million (which includes the \$500,000 accessible to all industries).

The open door and invitation made by the government to the private sector includes a number of provisions concerning the textile industry specifically. Permission has been given to textile industrialists to import all counts of cotton yarn. Pakistan's cotton is mainly short-fibered, oot suitable for highquality textiles. Through past stubbornness in refusing to accept that Pakistani textile output was at times far below desired quality standards, exports suffered serious

Concessions have been made to allow units to produce a better-quality product. With a view to resolving the crisis, the government has also proclaimed that no new spinning units would be sanctioned (except in the free-trade zones), expansion of existing units would only be allowed on certain stringent conditions and, finally, no sanction would be issued for setting up a textile unit on the basis of repatriable capital. Pakistan knows it has the manpower and

oo need for managers from The renovation of the textile in-

dustrial infrastructure is particularly important in view of the fact that cheap labor, which Pakistan has, is no longer sufficient to produce competitive goods for world the competitive goo market consumption. The increasing part of quality material and the fact that labor costs only account for approximately 10 percent of to-tal production costs have imposed the drive for efficient use of modern machinery.

the government's policy toward the private sector appears to have borne fruit. From July, 1977, through to March, 1982, total approved investment amounted to \$3.7 billion, an average of \$780 million a year. This is almost four times the previous government's times the previous government's record (an average of \$180 million a year from 1972 to 1977). The largest invested sector was chemi-cals and fertilizers (28.5 percent of total investment), followed by nonmetallic mineral products (24 percent) and textiles (16 percent).

The importance of textiles in the manufacturing goods industry can be seen from the fact that food investments (mostly sugar) account for 7.9 percent of the total, paper and pulp for 5 percent, and rubber tires for 4.4 percent. These three sectors are on the increase. Only the once thriving leather industry has a disappointing record, 0.8 percent of total investments.

Installed Capacity

The installed capacity in the textile industry looks good. By De-cember, 1981, the date of the latest figures, 4.27 million spindles and 25,000 loams were crying to be used in the whole of Pakistan. The public sector still retains some pre-

dominance as four major state mills began production during 1981-1982. Finally, Pakistan's first synthetic textile plant — financed in part by the public sector, in part by international loans (Asian Deviational Paul Carlos) velopment Bank) and in part by Saudi Arabian interests -

production late last year. Pakistan's planners view the country's future in the textile business with some alarm. Certainly the potential is there, and certainly they believe their government has given its industrial sector all the fi-nancial and administrative tools for success. If Pakistan has recovered its potential for quality out-put at competitive prices, the main hurdle is "Europe."

Pakistan claims that it was with a "knife under the throat" that it agreed to sign the Multi-Fiber Arrangement with the European Economic Community and Scandinavia. The EEC accounts for 20 percent of total textile exports (France, Britain and West Germaoy being the leading trading part-ners). Whether Pakistan will be able to escape from the constraints of the MFA (on yan quality) de-pends very much on its ability to acquire better-quality raw materi-

Signing the MFA agreement might have been too hasty a move. The four major textile-producing nations in the region — Hong Kong, Macao, Taiwan and South Korea — are said to be in the process of renegotiating a better deal for themselves with European nations than the one Pakistan accepted. Whatever the future for Pakistani textiles, the ball is in the Western camp and the recovery might turn out to be very slow.

Workers' Remittances Important to Economy

KARACHI — Seeing a chance to gain additional foreign exchange from workers returning from the Gulf rather than losing it to Middle Eastern traders, the Pakistani government has opened a duty-free shop in Karachi, stocked with all the favorite brands of items — particularly Japanese — that the workers like to bring home.

Two more such shops are to be opened by the end of the year in Rawalpindi and Lahore. The returning Pakistanis can visit the shops any time within 60 days of their arrival, taking relatives along to belp choose giant U.S. refrigerators, West German washing ma-chines, Japanese stoves or the latest in stereo equipment. Trucks and automobiles will also be made

The only stringent requirement is that payment be made in foreign

The new shops will not only al-low returning Pakistanis to avoid excess-baggage payments and al-leged "fleecing" by customs officials, but will provide yet another outlet for Pakistan to capitalize on its 2 million or more workers in the Gulf area. The venture is expected to pay bandsome dividends in terms of profit.

The main way Pakistan capitalizes on these workers now is through the remittances they send home. Most save at least 80 percent of their income, transferring it to their families. Pakistan's nationalized banks convert this Gulf money to rupees for the families, retaining the foreign currency to help pay the country's import bill and make foreign debt repay-

Frittered Away

At more than \$2.2 billion, these foreign exchange remittances have easily drawn ahead of the country's \$1.7-billion oil import bill, for instance. They have increased more than tenfold in the last decade and are approaching the level of Pakistan's earnings through its merchandizing exports (about \$2.4 billioo in 1981-1982.)

Although it is grateful for the foreign exchange, the government accuses no net income from the remittances and is growing in-creasingly concerned at their being frittered away on consumer goods rather than being invested in small businesses and industries.

"What is happening is very much like the Western concept of keeping up with the Joneses," said a secretary in the Ministry of Production. "A neighbor will come in and say: 'My goodness, Mrs. Khan, your son's working in the Gulf and you don't have a refrigerator!' The pressure to acquire is tremendous, even when there is no electricity in the village. Then the items are displayed around the house to impress the neighbors, and sold off to people in the cities four to six months later. The sad thing is that all this money is locked up in this way, and not being put to better use."

On the other hand, the increase in such buying heralds a dramatic change in the economic standards of the lower 40 percent of the population. In the early 1970s, remittances were used almost exclusively to buy food

"Nutritional standards have improved substantially," said Mahbub ul-Haq, deputy chairman of the Planning Commission. "Only 2 to 3 percent of the population are now malnourished, as against 25 percent of the population of In-

Dr. Hag and others closely in-volved with the Galf warters in

oping because of the income redistribution.

"When they send remittances or when some of them come back, they want to see improvements in social services - and in that area, things have not changed much in Pakistan in the last 35 years," Dr. Haq said. He said that a high priority in the next six years will be accelerating the pace of rural de-velopment and social services.

The result of the lack of facilities is a move away from villages by families of overseas workers. This mass movement is slowly changing the face of Pakistan.

Lahore, Pakistan's second-largest city, is growing at such a phenomenal rate that it is about to (16 kilometers) away, at Muridke, to cope with the annual 5-percent population growth, a third of which is accounted for by the rural

Just how much of this growth comes from families of overseas Pakistanis is not known, but retired Maj. Gen. Mohammed Hussain Ansari, director-general of the Lahore Development Authority. said that his agency was reserving at least 10 percent of the land for

Study of Migration

To explore this movement away from the village, with its resultant strain on traditional family ties, as well as other economic changes affecting overseas Pakistani families the Pakistan Institute of Public Opinion is conducting a six-month study, due to be finished in Decomber. The study was commissioned by the Overseas Pakistanis Foundation, an active participant in government efforts to smooth life for the Gulf worker.

The foundation's deputy manag-ing director, Saghir Hasan, accompanied a Pakistani delegation on two trips abroad this year to listen to complaints by overseas Pakis-tanis and counsel them on investments and other opportunities. The trips - in February to Britain and Denmark and in March to. Saudi Arabia, the United Arab Emirates, Kuwait and Qatar -

were made on the directive of President Mohammed Zia vl-Haq in response to workers' complaints of governmental neglect. Headed by the minister of labor

and overseas Pakistanis, Ghulam Dasteir Khan, the delegation included representatives from the Investment Advisory Center of the Ministry of Industries (to advise on investments), the Central Board of Revenue (to explain baggage rules), Pakistan International Airlines (to answer flight complaints) and the Banking Council (to explain the policy on remittances.)

Mr. Hasan found the overseas Pakistanis particularly concerned about three things: They wanted subsidized plots for residential sion for their children to good schools; and they were eager to make investments, but wanted ad-

Raza Syed, managing director of the Investment Advisory Center and a member of the delegation, distributed booklets and gave advice on investment opportunities.

Pakistan would like to see its returning workers setting op workshops and small bus and industries with the 100,000 to 500,000 rupees each can make in three or four years. Already there is a certain amount of investment being made in land improvement

and purchase, and in transport.

As for subsidized plots for residential housing, the Overseas Pakistanis Foundation's housing division has been buying urban plots from development agencies at cheaper rates than the usual auc-10 percent of all development plans must now be reserved for the workers

"But in practice, this is not being implemented," Mr. Hasan said. "The Karachi authorities say they have no such directive. They are not cooperating. So we are mainly concentrating on Labore. Peshawar is helping also."

On the educational front, the children of overseas blue-collar

workers are being given scholar-ships and other assistance from the foundation to enable them to attend better schools, professional colleges and technical institutions.

In a plan being launched this year, the foundation is providing funds forschool furniture in villages from where large oumbers of workers have gone abroad.

Prestigious Schook

To comply with the wishes of oversess white-collar workers businesmen, doctors and engineers if London and Dubai, for instance who are able to take their families with them - the foundation is attempting to reserve seats in Pakistan's prestigious boys' schools, which cater to the fer aristocracy, top government work-

ers and army officers. The foundation has had one success to far in this area: Lawrence College, near Murree, where it has confributed 2 million rupees for construction of a new classroom block. The college has agreed to admit 20 boys each year for the ocat 18 years.

For the daughters of the white-collar workers, the foundation is building a residential school in Islamabad to take 800 girls be-tween ages 5 and 19. Wealthier erseas Pakistanis worry about their daughters growing up in alien cultures with major social differ-ences such as European dating practices.

Estimates of the number of Pakstanis working abroad vary from 1.5 million to 3.5 million; the number is expected to increase 5 percent to 10 percent a year in the tion price for the last two years. Next four to five years. As the Mid-Under directives from the Cabinet. dle East construction boom slowly winds down, the Pakistani govern-ment hopes its workers will learn oew skills and find other opportunities in the Gulf.

"The future will be in the maintenance field," Mr. Hasan said. There is a feeling in the government that workers should start being trained for this maintenance work, and reports and studies have already been carried out."

Banking: The Islamic Factor

(Continued from Page 9S)

Investment Corp. of Pakistan and the House Building Finance Corp. In the latter case, rent charged the tenant was made proportional to the initial invest-ment in construction of the building.

As a result, HBFC rents were actually lowered. The National Investment Trust and Investment

Corp. of Pakistan now declares its dividends at the end of each six-month accounting period on the basis of an equal sharing of profits between the subscribers and the managers of the fund.

New Savings Accounts

The system went a step further in January, 1981, with the opening of "interest-free" counters in all Pakistani banks and in one foreign bank, the Bank of

In these banks, the depositor has the choice of

opening a traditional savings account, with a fixed rate of interest, or a musharaka-type account. Musharaka deposits have generally delivered interest rates superior to the traditional accounts, and al-

ready account for more than 12 percent of total deposits (\$820 million in March this year). Interest rates for musharaka deposits vary from 8

percent to 13 percent. Banks are allowed to reinvest musharaka deposits

only in low-risk fields. But contention over the banks' handling of

musharaka deposits caused an outcry earlier this year. To pay for the servicing of investments and to procure "a fair return for their work," banks began oper-ating on a mark-up basis, with the ultimate result being that the saver saw little difference in his pass-

Some banks were charged with operating in a way proscribed by Islam.

Letters and articles in the press showed there was widespread confusion over what distinguished "evil profit" from "lawful gain." A newly created Religious Board regulated the

mark-up sistem and put other reforms in place, and the furor subsided. Second Phase

Phase 2 of the Islamization of the banking system was launched this July. Provisions were established to supervise the funnel-

ing of credits and working capital.

The bank now has to take an even more active participation in the workings of a loan-demanding enterprise, "said Abdul Karim, economic adviser in the state bank.

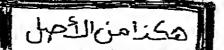
"The bank has to be certain that the company's

profit record is good."

If a joan-seeker has no previous business experience to be judged on, Mr. Karim said, "the crucial determining element will be the man's reputation for

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-PAKISTAN-

Education: Raising Literacy, Stressing Islamic Awareness

TSLAMABAD — Pakistan's eduction policy, framed in 1978, and teacher-training facilities.

cauon policy, framed in 1978, and teacher-training facilities.

wrong; the rural teacher was anything but safe from the pangs of I cauon policy, framed in 1978, is trying to catch up with past intentions: the promotion of "Islamic awareness" and at the same tme, opening the road to develop-

In doing so, Pakistan's educaton planners are up against formi-table odds. The nation's literacy are is one of the lowest in the

According to the 1972 census, only 21.7 percent of the population could be termed literate. There were wide differences between males and females, with a literacy rate of 30.2 percent for men and 11.6 percent for women, and between urban and rural areas, with a 41.5-percent rate in the former and a 14.3-percent rate in the lat-

By 1979, however, the overall literacy rate had officially risen to 24 percent, revealing a disturbing lack of improvement. In some re-mote rural areas, female literacy rates will still be found below 5

What the figures mean is that past budget expenditure on educa-tion (10 percent of total spending, against military spending of 26 percent) has just about been able o cope with population growth (2.8 percent a year). If, according to the theologian educationalists, such as the Islamic adviser for education, Yusuf Tazaz Ali (who, despite his name, is a white American converted to Islam), religious feeling is supposed to fight the devil of illiteracy, it is surprising that since the 1977 Islamic revival so little progress has been made.

Islamic Urge

That is, according to A.Z. Fartiqui, secretary to the Ministry of Education, because "the constraints imposed on us are simply mind-boggling," and as far as the Islamic urge goes, "people here in Pakistan already know the Koran hy heart." Whatever the virtue of Islam in promoting literacy, the problems are deeply rooted.
Fifty percent of schoolchildren

quit class after only two years of schooling. The phenomenon as such is not an unusual one for a developing nation with a vast rural hinterland. The vital economic necessities of village life dictate the families' behavior: young girls have to look after babies and bouse, young boys are needed in

"It is also that we have to interest the children," Mr. Faruqui said. Consequently, after having purged about 550 textbooks of "all non-Islamie and anti-patriotic ma-terial," curricula changes are envisaged. Along with the Introduction of agro-technical teaching, compulsory for children aged from 10 to 14, there has been the writing of a single integrated reader for the whole of Pakistan replacing a mixture of available methods.

Introduction of Arabic

One innovation that is taken very much to heart, initiated by President Mohammed Zia ul-Haq. is the introduction of compulsory classical Arabic into the curriculum. Classical Arabic is the religious vector of Islam, but there are critics here, who without being anti-Islamic in any way, think that ultimately the project can only be destructive.

Pakistan is not a linguistically homogenous nation, and if a child from a Pattan or Baluchi background is to succeed in life, he has first to learn the ethnic language; then Urdu, the national language; then English, used in higher education; and now elassical Arabic.

But the biggest problem that Pakistan's educators have to contend with is the lack of any extended educational infrastructure. In the case of Punjab province alone, home of more than 60 percent of the total population, more than 70 percent of established primary schools (35,000) have no building. Those villages fortunate enough to have a room marked "school" then face the problem of gross understaffing. A teacher may have to cope with 60 children; there are normally two teachers for five

Reforms

The problem is therefore twofold: insufficient school buildings and the present lack of teaching staff. On both issues, the government has pushed through a number of reforms that it hopes will radically change the state of the nation in the years to come.

To resolve the first constraint, Dr. Mahbub ul-Haq, deputy chair-man of the Planning Commission, came up with an inspired idea. To overcome the shortage of buildings, he has started a program aimed at gradually establishing primary schools in mosques that are only used for prayers in the

evenings.
In the fight to reduce illiteracy, the main emphasis has been laid on primary education, and al-though building proper school structures has been boosted, mosque facilities are not considered totally suitable. The mosque transformation program expects to open 5,000 to 8,000 primary schools this coming year, against the 2,000 annual average for the

last five years. This year's Federal Development Budget for education is the highest the country has had so far, \$35 million, to which one must add loans and grants from foreign sources such as the recently agreed

The turn toward mosque-schools has been supported by a reassess-ment of the official who was known as the Tehsil (small district) school inspector. The post was cre-ated under British rule and was adequate to cope with needs then, Originally, one man had a maximum of 30 to 40 schools oo his beat; today the number can be anything between 100 and 200, which the inspector never got around to seeing.

From now on, the inspector will have a new joh. It will be his duty to go down into the village units and act as an administrative adviser in coordination with the village-elected "education commit-tees." Among other tasks, the in-spector will have to select appro-

are being relaxed. To become a teacher in rural areas, one no longer has to be a college graduate, simply a promising secondary school graduate with good results. The former nine-month training course for graduates has been replaced hy training sessions spanned over three years. The government hopes to attract local priate mosques and brief the local imam in his responsibilities. graduates to take up class in their

The main education focus is on primary schooling ... But the government has outlined provisions for other key areas. such as higher education for women.

Mr. Faruqui, together with all the other nanonal planners, is per-fectly aware of the limitations of the mosque-school scheme. To put it mildly, the small village imam is hardly much more than basically literate himself and cannot be first university for women is to be viewed as a long-term substitute for a trained teacher.

young graduate teachers to operate in rural areas. Teachers wishing to settle down in urban zones would be entitled to a housing allowance of up to 45 percent of their basic salary (approximatly \$40 a month) whereas it was thought that in ruper than 100,000 adults were currently following adult literacy courses set up with UNESCO aid. The figure care of him, It was an optimist's wouldn't know where to start!" view that sadly turned out to be

The main education focus is on primary schooling to try to cure the causes of rural illiteracy. But the government has outlined provisions for other key areas, such as higher education for women. The opened up in a year or two.

hungry days.
As from last year, wages were reassessed and the gross discrepen-

cies between urban and rural earn-ings are said to have been correct-

ed. Still, \$5 or \$6 extra is not a

strong enough incentive to con-

vince young urban graduates to go out into remote villages.

Recruitment Standards

Teacher recruitment standards

for a trained teacher.

Previous education policies

Oliset any chance of attracting

Copened up in a year of two.

Likewise, the thrust to heave

Pakistan out of technological dependency goes on. Twelve technical colleges now operate in the country, against six colleges two

ral areas the villagers would be suf- is apparently vastly overoptimistic. ficiently glad to have their teacher Mr. Faruqui, when asked about that they would materially take the issue, confessed: "We really

Nuclear Power: Approval Linked With Peace Pledge

(Continued from Page 7S) supply nuclear power equipment, the Western diplomat said, many other countries might only insist on the standard International Atomie Energy Agency (IAEA) safeguards covering just the fuel and the plant itself.

A Western nuclear source said that for months now the IAEA has been trying to upgrade the safeguards at the 137-megawatt, Canadian-supplied Kanupp reactor in Karachi, Pakistan's sole operating nuclear power plant. This came after the country had mastered the ability to fabricate its own fuel, and followed reports to the IAEA at the end of 1980 about difficulties in verifying the number of fresh fuel bundles.

But Shamim Ahmed Chaudhri, the director of the Pakistan Atomie Energy Commission, says most of the original safeguard-ing proposals suggested by the IAEA have either been implemented or agreed upon. These included the deployment of cameras and other monitoring devices and improved sealing systems.

He said five meetings bad taken place with the agency on this subject and further negotiations were expected.

Making its Own Fuel

Pakistan has sought to make its own fuel using uranium mined from the Bagalchore deposits near Multan in southwest Pakistan, since Canada imposed an embargo on supplies for the Kanupp plant in December, 1976.

"We started making some fuel about two years hack and we immediately informed the IAEA of our capability," says Mr. Chaudhri. The fuel is fabricated at the Kundian plant at the

"Our fuel was and is still going through a test phase." Mr. Chaudhri said. "We loaded our fuel in Kanupp along with the Canadian fuel. We still have some Canadian fuel in the reactor hut the stock is depleting fast as it's been five years since the last

It was the Canadian embargo on fuel supplies and Pakistan's realization that it could fabricate its own fuel for Kanupp that encouraged the start of what Gen. Zia describes as the "modest program" in uranium enrichment for its Chashma series.

Sophisticated Technology

Unlike Kanupp, which is a Candu-type reactor that runs on natural uranium, Chashma will be a light-water reactor, or LWR, requiring enriched uranium, a fuel that calls for such highly sohisticated enrichment technology that it has only been mastered by a few countries in the world.

"Whether our small-scale research and development project will come up to an adequate level for fueling our LWR we cannot say," said Mr. Chaudhri. "It could take 20 years to reach that scale, or it could all break down. The first 900-megawatt Chashma unit would have to function

on imported enriched uranium, he insists. Some sources speculate that this fuel supply could be negotiated with the country supplying the plant.

The Chashma site is capable of supporting at least four reactors and possibly six depending on the availability of water from the

But the main constraint in nuclear construction has always been the availability of adequate financial resources. That is why the Pakistan government is hoping that bidders on the first plant will

offer external financing help. Strategic Importance

Pakistan obviously hopes that its increased strategic impor-tance, with some 100,000 Soviet troops in neighboring Afghani-stan, will cause Western countries to take a more lenient view toward helping it with its nuclear projects.

A 600-megawatt version of the Chashma reactor was approved

in 1976, but at that time the country was funneling all its available resources into big projects like the Tarbela dam and the Karachi A Pakistani energy expert who declined to be identified said

one answer to any controversy over his country purchasing a nu-clear reactor from the West, would be to dissociate the purchase from the PAEC. He said the commission had become too tainted by talk of an "Islamic bomb." If the more advanced Western countries declined to supply

reactors, Spain or Argentina might be able to, he added. Spanish Involvement The Spanish engineering firm Sener, based in Bilbao, has al-

ready been closely associated with the project and submitted a report on the financial and technical aspects earlier this year.

It is not known who paid for the Sener consultancy contract but a Western nuclear source said that "The Spanish think the Saudis

Sener was one of three hidders for the contract, the most imfortant overseas work it has obtained. The firm was aware of Pakistan's controversial status in nuclear affairs, according to a source, adding that the relations between the Pakistanis and Sener were "very clean."

Need Seen For Wider Search for Energy

ISLAMABAD — Despite the lack of a major breakthrough in its oil exploration and development program, Pakistan's state-owned Oil and Gas Development Corp. is about to offer 11 structures for joint ventures with for-eign firms, with details to be an-nounced this month.

"Our drilling rates are not satisfactory," said Dr. Mahbuh ul-Haq, deputy chairman of Pakistan's Planning Commission. "Countries making a hreakthrough drill at least 100 wells a year. That's the rate we would like to achieve. We want private investors to come in and take a chance on Pakistan. We have prepared a model agreement so they can see the kinds of consions the government is willing

to give."
The move to tempt in more foreign partners is accompanied by a major energy planning exercise to find the best ways of developing the country's energy resources dur-ing the next 20 years. Pakistan is casting around for solutions to its crippling shortages of power in the peak months, and to an energy import hill that has grown from \$70 million to \$1.7 billion since 1973.

Helping the Planning Commission analyze the alternatives is the Geneva-based International Energy Development Corp.

Potentia

"The potential is here, but whether financial resources will be available in time and in sufficient quantities is another question, said IECD Executive Vice President Francisco Parra.

Currently, natural gas accounts for the major part — or 41.7 percent — of Pakistan's energy mix, with oil at 36.6 percent, hydroelectricity at 15.9 percent, coal at 5.3 precent, liquid petroleum gas at 0.3 percent and nuclear power at

But, as many Pakistanis are benning to realize, gas is not an infinite source and the government is stopping further use of gas for power generation purposes, stipu-lating instead furnace oil or HSD. If no new major gas discoveries are made, supplies could well be exhausted within the next 20 years.

This means that there will be greater emphasis on nuclear power and hydroelectricity.

Oil Uncertainty

oil. Pakistan is now investigating

all possible energy options.
"We are giving the subject the carpet treatment — probing all the aspects," President Mohammed Zia ul-Haq said. As part of this move on all fronts, Pakistan will be putting its

planned 900-megawatt Chashma nuclear reactor out to global tender in the next six months, to be followed by two more similar-size reactors in the lato 1980s. Canada's CIDA is ranking Paki-

stan's hydroelectrie sites in terms of technical and economic merit, so that the easiest can be started first. The CIDA study should be completed by the end of 1983.

While the ranking exercise continues, decisions have already been made to increase the capacities of the Tarbela and Mangla hydroelectric projects to around 4,500 megawatts and 1,000 megawatts, respectively. The country is also preparing to go ahead with the \$2.4-billion, 1,760-megawatt Kalabagh hydroclectric project at Mi-anwali on the Indus River, in the Punjab. These three projects alone will be capable of generating a to-tal of more than 7,000 megawatts annually by the end of 1995.

Hydroelectric Sources

About 60 percent of the 3,300 megawatts of power currently being generated in the country is provided by hydroelectric sources, said Maj. Gen. Ghnlam Safdar Butt, chairman of the Water and Power Development Authority. This percentage is expected to increase now that natural gas can no longer be used for future thermal power plants. The total hydroelec-trie potential is estimated at around 20,000 megawatts.

Because of the high sulfur content of Pakistan's coal, development of this resource is limited until new technological breakmake easy utilization

Pakistan is currently producing 15,000 barrels of oil a day, about 12 percent of its total oil require-ment. The rest is imported from Saudi Arabia, Iraq, Iran and other

The boost up to 15,000 barrels a day from last year's 10,500 barrels is mainly due to Union Texas' recent discovery of oil at Khaskeli in Sind province. Union Texas is one of nine private foreign and local mpanies involved in oil exploration and development in the country. Two more firms — Hunts and Atlantic Richfield — have shown interest in joint ventures.

Exploratory Wells

The Petroleum Ministry budget foresees the drilling of 48 explora-tory, appraisal and development wells in the fiscal year beginning July 1, 1982, up from the 29 to 31 wells of the previous two years. Twelve of the new wells will be drilled by the public sector and 36

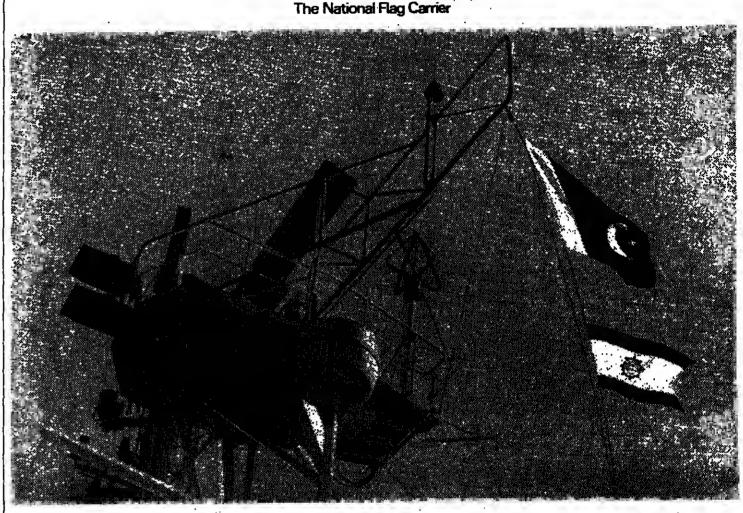
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High Technology Boosts Fertilizer Production

T AHORE — With financial help from friendly Moslem countries, particularly Saudi Arabia and the United Arab Emirates. Pakistan has purchased advanced technology from the West and pushed ahead with large fertilizer projects that have helped make it almost self-sufficient in nitrogenous

The \$200-million public sector Paksaudi Fertilizers complex at Mirpur Mathelo in Sind province, which started up at the end of 1980, for instance, was helped by loans of \$29 million from the Saudi Fund for Development and \$50 million from the government of Saudi Arabia, as well as \$50 million from the Asian Development Bank.

The loans were used to purchase the Danes' Haldor-Topsoe ammonia process. Italy's Snamprogetti was tapped for the 557.000-metric-tons-per-year urea plant.

A similar-size project owned hy private sector Fauji Fertilizers at Machhi Goth in the Punjab was helped by a loan from the Kuwait Fund for Arab Ecocomic Develop-

OPEC Loan

Public sector Pakarab Fertilizers at Multan in the Punjah not only received an \$11-million loan from OPEC, but also a 48-perceot equity contribution from Abu Dhabi National Oil Co.

China, Pakistan's friend to the east, provided a grant covering half the \$78-millioo costs of a fourth project. This has only been operating the last three months and is sited just outside Rawalpindi.

Through its five public and three private sector fertilizer companies, Pakistan produced more than two-thirds of its total fertilizer requirements in the 1981-1982 financial year eoding on June 30. Production totaled about 790,000 nutrient

tons of fertilizer against a demand of 1.1-billion nutrient tons, of which 862,000 is nitrogenous and 223,000 tons phosphatics.
The public sector's contribution is 61 percent of total production.

Phosphatic fertilizers are mainly imported. In fact, the country has little hope of becoming self-sufficient to phosphatics for a long time to come, whereas it should be self-

and remain that way until about 1984-1985. Both types of fertilizer are essential for thriving crops.

Decisions on new fertilizer plant construction will not be made until a World Bank-sponsored, nine-mooth macro-study of fertilizers' role in Pakistan's economy has been undertaken. This study was expected to be put out to international tender this

Reasons for the study are to explore demand and supply projections for the future, especially in light of the sudden hait in 1980 in the phenomenal annual growth rate of around 15 percent in the consumption of

fertilizers during the previous decade. The study will also look at the availability of raw materials in the country, particularly natural gas, which is one of the basic ingredients for fertilizer, and rock phosphate.

The government's massive hike in fertilizer prices is seen as the main reason for the halt in the growth rate of consumption of fertilizers by the farming community. These hikes were made in order to eliminate burgeoning fertilizer subsidy payments, which were becoming too big for the country to

By late 1979, the government was saddled with \$300 million a year in fertilizer subsidies in an effort to reduce costs to farmers. The idea, which was originally politically inspired, was to encourage farmers to keep producer prices of crops artificially depressed and supply cheap food to the cities.
"But the government found it was paying too high a price for such a policy. It lacked the ability to keep handing out subsidies ad infinitum," a Western economic source said.

The solution was a delicate balancing act aimed at reducing the fertilizer subsidy while at the same time slowly allowing producer prices for crops to creep up to world levels. The government's eventual goal, with the encouragement of the International Monetary Fund, is to eliminate fertilizer

subsidies by 1985. The first fertilizer price hike of almost 50 percent took place io February, 1980, folsufficient in nitrogenous fertilizer shortly lowed by a second increase in nitrogenous

this year. Since that first price rise, fertilizer consumption has increased by less than I

percent. "And still the [subsidy] bill for the coming fiscal year will be about \$150 million on the government's hudget," said Ejaz Naik, secretary in the Finance Ministry's economic affairs division. "We've been lucky so far in that while we've been reducing this subsidy the international price of fertilizer has been low. But if oil and fertilizer prices go up, our commitment to eliminate this subsidy will

be difficult to implement." The main concern of those involved in fertilizers and agricultural products is that crop yield might start being affected as re-ductions continue in fertilizer subsidies. So far this has not happened and the only impact has been more efficient use of fertilizers by the farmers.

Though consumption of fertilizer has been static, the production of agricultural crops has not been affected, so it shows the farmers are using fertilizers more carefully now." Mr. Naik said.

Agriculture Figured into the overall equation must be Pakistan's reliance oo a thriving agricultural sector. Approximately one-third of its gross domestic product comes from this source. Also, the country's fertilizer consumption per hectare of cultivated land is low. It is less than half that of Egypt, for instance, and runs at only about 54 kilogram per cul-tivated hectare against a recommended 150 to 200 kilograms per hectare.

Uotil the growth in fertilizer consumption came to an abrupt halt in 1980, planners were projecting a growth rate in demand of at least 10 percent per year uotil 1990, said Riyaz Bokhari, chairman of Pakistan's National Fertilizer Corp. This would have justified an additional nitrogenous (urea) plant and possibly two phosphatic fertilizer plants. Both the World Bank and the Asian Development Bank bave already indicated interest in helping with a oew urea plant if justified by the upcoming nine-mooth study.

Where phosphatics are concerned, there are many alternatives to be explored. One suggestion is to increase urea productioo so

fertilizers of about 10 percent in March of it can be exported, and use the foreign exchange to buy phosphatics, thus eliminating

the need for phosphatic plant construction. If phosphatic plants are built in the country, competition could be lively from both public and private sectors, despite the govemment's insistence that future investments will no longer be made in areas where the private sector is interested.

DAP Plants

Rafiq Habib of the influential Habib family would like to set up a large diammonium phosphate (DAP) plant in Baluchistan, for instance. Two other private companies are also interested in DAP plants, including the Fauji Foundation, which recently started

operating its urea plant at Machhi Goth.

On the other hand, NFC, which runs the public sector fertilizer units, argues that a better case can be made for a 1,610-ton-perday nitrophosphate plant, citing the costly import of ingredients needed for DAP. It points to the experience already gained in running its nitrophosphate plant at Multan. As yet, the private sector has not shown interest in a nitrophosphate project, an NFC ource said

fn the meantime, NFC is carrying out a \$50-million program to increase the capacity of its Multan urea plant by an additional 100 tons per day and rehabilitating the old Pak-American ammonium sulphate plant at

Daudkhel in the Punjab.

The money, \$38.5 million of which was loaned by the World Bank, will also be used to reduce pollution from the plants and set up a technical training center st Multan.

Although help from the Middle East has been a blessing in terms of encouraging fertilizer plant construction, the Moslem countries have helped create staff problems on the operational side. Engineering recruits given costly training in Pakistan are quickly

lost to the Middle East. One of the NFC's subsidiaries lost half of its experienced engineers to either the Middle East or the private sector within a short span of three to four years. The situation became so critical at one stage that serious consideration was given to engaging a large oumber of foreigners to run the plant.

Rural Development: Government Plans To Transform Nation's Farms, Villages

(Continued from Page 9S) as well, disturbances were reported

Fertilizer Project

Lyallpur Chemicals &

Fertilizer Ltd.(NFC)

PUBLIC SECTOR 1981-1982

Pakarab Fertilizers Ltd. (NFC)

Paksaudi Fertilizers Ltd (NFC)

EXXON Chemical Fertilizer Ltd

Dawood Hercules Chemicals Ltd

rated capacity, thousands of nutrient tons

Grand Total PUBLIC and PRIVATE Sectors:

Fauji Fertilizer Company Ltd

Hazara Urea Fertilizers

PRIVATE SECTOR

Plant (NFC)

Pak-American Fertilizer Ltd_(NFC)

in the Marri and Bugti zones. Apart from the potential threat to national peace (the Baluch rebellioo of the 1970s played a major part in the downfall of Prime Minister Ali Bhutto), attention has been focused on the province by the discovery that huge resources of natural gas lie under its rocky

Federal spending on develop-ment in Baluchistan has soured from \$50 million in 1981-82 to \$200 million in the coming fiscal year, with \$70 million of that from foreign sources.

This year should also see the tion of the long-needed RCD Highway linking the provin-cial capital of Quetta to Karachi. Soon Raluchistan will reach the same level of development as other states," Mr. Syed Fakhar Imam

And Mr. Mahhub ul-Haq commented, "Baluchistan is a whole new economic frontier waiting to be opened up."

A loan institution, the 4th Agricultural Credit Bank, has been set

up with IDA assistance to help farmers acquire loans for crop improvement. And two major financial institutions, the Industrial Dethe Pakistan Industrial Credit and Investment Corp. will be better able to stimulate private enterprise, as the funds for lending available for each will be boosted

Fertilizer Production Capacity in Pakistan

Ammonium Sulphate

Single Super Phosphate:

Single Super Phosphate

Colcium 1

Nitrate

UREA

UREA

LIREA

UREA

Ammonium

Nitrophosphate

Year of

Commissioning

Expansion

Faisalabad 1957

Jaranwala 1968

Capacity

1958

1962

1980

1982

Urea

Phosphatics

- 1968

1971

1982

Urea

Phosphatics

1978/79

19

: 13

27

140

256

44

533

86

80

160

-258

498

1031

86

from \$30 million to \$100 million. Banker on a Motorbike

An unusual program was established a few years ago by the cur-rent chairman of the Agricultural Development Bank of Pakistan, Jamil Nishtar, "It's basically the coocept of a banker on a motor-bike," he said. The idea stemmed from the fact that with 7,000 bank branches in the country, thousands of villages still were unserved.

So today, following three-month courses in finance, young agricul-tural graduates are handed a Japanese motorbike, a crash helmet and a list of 25 villages to visit at least once a fortnight. These young men have power to grant loans of up to \$1,000. The farmer never sees the money he has signed for,

instead, the banking bikers take care of the purchase, delivery and supervisory use of the piece of equipment needed. The mobile banker recovers the

credit when the farmer takes his crops to market. The recovery rate stands at 97 percent (compared with 55 percent in the branch banks). More than 10,250 villages are served by about 400 traveling bankers; the program has had coptracts with 60,000 borrowers for a three-year loan-total of \$125 mil-

Next year will also see the first application of the Ushr wellare tax which takes 5 percent of farm produce from individual land owners. This tax in kind is taken directly by the village "Zakat Commit-tees," which redistribute the produce to needy people in the com-munity. The first Ushr is to be levied on the April, 1983, wheat

The government hopes its changes and innovations will not only improve production and ex-ports, but also dampen the migration from rural areas into cities.

Priority Is Set on Development of Baluchistan

western province of Pakistan, is to be the focus of a concentrated development program during the next few years, backed by resources from the West and Moslem

Neglected during the years of British rule as impossible to penetrate because of its bleak mountainous terrain, the province has since been the scene of considerable resistance by its proud tribesmen against attempts at stricter control by the Punjabi-dominated central government in Islama-

Several insurgencies have been fought, the last in the mid-1970s, fueling Baluchi separatist sentiments. Since the Soviet interventioo in Afghanistan in late 1979, the West has feared that Moscow would try to capitalize on this Balnchi resentment against the more powerful Punjabi ethnic group by inciting further destabilization.

Baluchistan's long borders with Iran and Afghanistan make it especially vulnerable to such subversion. A pro-Soviet, independent Baluchistan would open the way for a Soviet march south to the Arabian Sea, realizing the age-old Czarist dream of a warm-water port in Asia.

The decision by the Pakistan government to develop Baluchistan by appealing for foreign financial help is partly

ing to political sources. President Mohammed Zia ul-Haq fully acknowledges that the Soviet intervention in Afghani-stan has helped Pakistan "expose its needs and requirements" to the West.

"Baluchistan has really been brought into focus," he said. "We are going flat-out for its progress and development: agriculture, minerals, the social and educational aspects, electrification of villages, construction of roads and development of the rural areas.

But in addition to seizing the moment, there is also a strong realization in the central government that it can no longer afford politically, socially and economically to overlook Baluchistan. A region bigger than West Germany, it constitutes 43 percent of Pakistan's land area, even though only 4 percent of the 84 million population live there.

"We are mustering up a program [for fiscal year 1982-1983] of around 700 million rupees from foreign aid and practically that much from our own resources," President Zia clarified, adding that the \$70 million had already been lined up (from the United States, Kuwait, Britain, Japan, West Germany, the Netherlands, Canada and the World

This is just the start, he said. The country has assessed a

20-billion-rupee requirement for Baluchistan as part of a five-year project. Docor countries, although skeptical of the Pakistan Planning Commission's claims that Baluchistan could become the new granary of the country once its 15 million acres of valley land are fully cultivated, still endorse the oeed for basic development. "If you go to Baluchistan, you can already see the electricity pylons marching up the valley," a Western economist said.

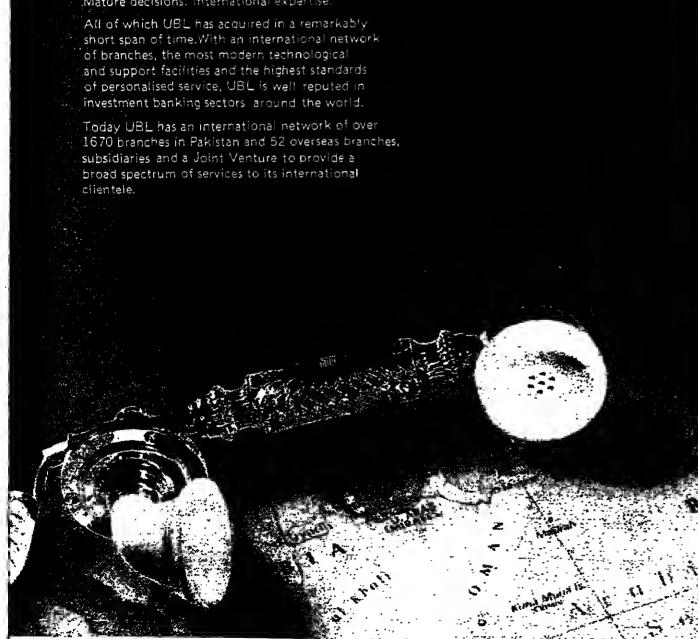
This electricity will bring irrigation through electrification of tube wells. Baluchistan currently produces mainly fruits and vegetables. Its almonds, grapes and apples are prized by the people in Karachi.

Because foreign aid for Baluchistan cannot easily be tied to specific projects much is coming in as general program

The British, for instance, are supplying almost \$10 million in grants to Baluchistan and the North-West Frontier Province, which also borders Afghanistan. This is not being paid directly. Instead a system has been devised where free equipment is being supplied to the Pakistan government for the railways and other projects, and the government in turn puts the rupee equivalent toward the development programs of the two provinces.

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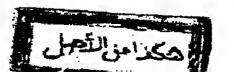
Head Office: Karachi, Pakistan



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THE STEEL MILL: A DEFENSE

The Western point of view is that with plenty of steel being produced elsewhere why not import? But for us, the steel mill represents immense economic gains for the economy ... Without it, industrialization will not follow natural growth patterns.'

DIN QASIM—Pakistan Steel's development for the future," says that the \$2.5-billion steel mill stan's current primary exports of built with Soviet aid 40 kilometers. east along the coast from Karachi should be in the black by the late 1980s. He denies the criticism that the mili is a white elephant and will be losing money on every ton of steel it makes.

It should be reaching a shade of gray very soon, he says. And he stresses the effect it will have on the nation's developing economy. The Western point of view is that with plenty of steel being produced elsewhere — why not im-port? But for us, the steel mill represents immense economic gains for the economy," says Mr. Akhtar, Without it, Pakistan's industrialization will not follow natural growth patterns.

The engineering industry now bas to be stimulated to ensure the steel mill's production is used. The private sector is being invited to establish downstream units, either near the site or elsewhere in the country, to produce components for machinery manufacture.

Demand Exists

The demand is already there. Eive tractor assembly plants that minally call for imported components will increasingly require locally produced components as knownow is indigenized. So, too, will Pakistan Railways locomotive assembly factory being set up with Japanese assistance at Risalpur in the North-West Frontier Province and the Suzuki truck and automobile assembly plants being launched by Pakistan Automobile

"The World Bank Industrial engineering exports as our main ducing.

Oil Exploration Effort Is Intensified

(Confinued from Page 11S) privately. Only a few of them will be deep exploratory wells.

The government's participation in private sector joint venture operations varies from 2.5 percent as in the case of British Petroleum - to as much as 49 percent in Pak-Stanvac Petroleum's Mari gas field

Depending on international response to the 11 new structures being offered, two or three exploratory wells could be added to those already scheduled for 1982. 11," said Mr. Masihuddin, "There

983. But most companies responding would probably not start drilling until 1983-1984, said Petroleum Ministry Secretary Mohammed

The recent visit to Kuwait, Abu

stan's current primary exports of cotton and rice make the country vulnerable to trade fluctuations. Exports need to be diversified to include a much greater share of finished goods.

The 1.1-million ton steel mill

complex, under construction since 1975, started producing pig iron and coke last year, but the downstream units have yet to be comioned. Actual steel production should start around the end of the year when the steel making plant and billet mill complete their trial

But the steel mill complex will only have a chance to start breaking even in 1985 when it is operating at capacity and the value added products (cold-rolled sheets and hot-rolled sheets) are being pro-

Currently coke and pig iron are being produced at prices well above international rates, but are being sold to domestic sources at prices substantially lower than the in abundance, utilization of capac-

import price.

Mr. Akhtar says the high cost of production is primarily the result of being in a quasiproduction stage where administrative overheads are massive compared with the small section of mill currently op-

erating.

"We are starting with a lower incentive price because, as I see it and this is the government's mandate - our main profit in the balance sheet is going to come from the downstream engineering industry," he says.

The steel mill's 1.1-million tons is projected to meet the country's overall demand for steel in 1985, apart from some allied steel items Commission has twice identified the mill is not capable of pro-

Dhabi and Canada by Pakistan's petroleum minister, retired Maj. Gen. Rao Farman Ali Khan, to discuss the opportunities involved in the 11 new structures may result

> Kuwait and Pakistan both agreed to participate in joint ven-tures for petroleum exploration and a team from the Kuwait Foreign Petroleum Exploration Co. is looking into the possibilities.

in at least one joint venture agree-

"Whatever structures they decide on will be deducted from the will be some free areas available

.Interested Canadian firms were scheduled to visit Pakistan last month and this month to further analyze the opportunities.

Imports until now have never ity should be easily attained," he exceeded 700,000 tons, while domestic steel production utilizing While Pakistan Steel waits for electric are furnaces and imported scrap totals about 300,000 tons an-

Stimulation of Demand

The government's belief is that once indigenous steel becomes available it will stimulate demand, just as domestically available pig iron and coke have done in the past year. Both items are used in Pakistan's foundries. When they were imported demand was roughly 20,000 tons annually of each. Yet sales totaled 50,000 tons last

The biggest constraint to utilization of capacity in the engineering industry (currently only about 30 to 40 percent) has been lack of indigenous inputs, claims Mr. Akhtar. This is because imports have to be paid for in foreign exchange, allocation of which is very

It has also had enquiries about small quantities from 5,000 to 10,000 tons of coke from Iran and similar amounts of coke and pig

"But basically we are oot in the export market," says Mr. Akhtar. We just want to dispose of tem-

ed with the oew port under con-struction at Bin Qasim, currently depends oo major imports of raw material for its operation, receiving iron ore from India, Australia,

While Pakistan Steel waits for

its steel-making unit to start production, the mill has sold 250,000 tons of pig iron to India and 60,000 tons of coke to Romania, with an option to sell an additional 40,000 tons should there be a sur-

porary sumbuses * The shore-based steel plant, which is infrastructurally connect-

Brazil and Liberia, and metallurgi-cal coal from Australia, the U.S.

TSLAMABAD — Pakistan's recent agreement with Japan's Suzuki Motor Co. to produce automobiles, jeeps, trucks and vans illustrates the government's strategy

> Vehicles will first be assembled with imported Japanese machinery and components. As Pakistan's engincering capacity develops, a pro-gressive switch will be made to domestic components with the indigenous contribution growing from 30 percent at the beginning to 70

try's engineering industry.

toward development of the coun-

Prior to the agreement with Suzuki, Pakistan had no automobile manufacturing capability, al-though domestic production of trucks and buses was expected to reach 4,979 by the end of fiscal

percent or 80 percent in five to six

The Suzuki project will be made easier by the fact that all four

Engineering: Strategy of Development

common, including the engine. Pakistan is already manufacturing sugar and cement plant equipment under license and has recently signed contracts to export sugar plants to Bangiadesh and In-

donesia.

"We are now doing what India
was doing in the 1960s," said Haq
Nawaz Akhtar, chairman of Pakistan Steel. "But our development period will be compressed. Our processes will hopefully avoid much of the costly trial and error India has had to go through."
Pakistan's steelmaking capacity,

which should become available as the 1.1-million-ton mill at Bin Qasim near Karachi slowly comes on stream, is expected to stimulate the engineering industry and move the country from the first to the second stage of industrialization.

Pakistan currently assembles cars, trucks and tractors using imported components but should

"In the decade of the 1990s we should reach the third stage of industrialization — electronics and automation," Mr. Akhtar said.

-PAKISTAN--

The Suzuki project, concluded in June, will utilize idle production facilities at two existing units -Sind Engineering and Awami Au-tomobiles — of the public-sector Pakistan Automobile Corp.

Private Sector

The private sector will be encouraged to develop its vehicle component manufacturing capability and some 130 participants have already been listed by PACO with help from a visiting Suzuki

"So we will be integrating the manufacturing capability of pri-vate sector plants with our 'mother plants' in the public sector," said Abdul Mahid Musti, a Ministry of Production official. "It will be a good example of the collaboration both sectors and will set the coun-

try on the road to self-sufficiency in truck and automobile manufa With a capital cost of 572 million rupees and a Suzuki holding

of 10 percent of the total equity of 120 million rupees, the 10-year project calls for production of 25,000 vehicles the first year, increasing to 55,000 by the 10th.
Emphasis will be on cars and pickups with production in each

category expected to reach 23,600 by the 10th year. Vans and jeeps will each be restricted to 3,900. With its domestic market sausfied, Pakistan eventually hopes to export motor vehicles, particularly to the Middle East where it enjoys close ties with fellow Islamic na-

Suzuki was a natural choice for the collaborative arrangement as its small pickup is already a popu-

Private Sector Is Challenged to Assume Investment Role

Pakistan's husiness community is still bitter about Mr. Bhutto's breaking up of the "22 families," a phrase coined to describe the close oetwork of families monopolizing banking and industry in the "Golden Age" of the 1960s.

Even when the Indian government went through its Socialist phase it never did what Bhutto did, though India did nationalize banking and insurance," said a member of one of these families. "Bhutto broke up the families and it was the families who created the

Private Sector Promotion

This same husinessman believes that President Zia is genuinely trying to promote the private sector, but feels that the government should have done some-

thing sooner to show its sincerity.

"They could have denationalized more of the projects they inherited, like the life insurance companies and the cotton and rice export corporations," be said. "General insurance, including marine insurance, has dooe extremely well in the private sector. But the government won't give us back the life insurance compa-

"The same is true of government control in exports of cotton and rice, two of our major primary commodities. One man is making all the decisions on cotton, for instance. There should be many decisionmakers in the field and then it would not matter if some of the decisions made were wrong ones.

"Why not let the private sector in here? This is what the government should do to show people it is genuine. The private sector should have been allowed to play a bigger role much earlier." Despite this husinessman's reservations, some pri-

vate sector companies are already gearing up to take advantage of the new opportunities they see appear-Rafiq Habib of the influential Habib family, owners of the Habib banking network before it was na-

economy and participates in national

development as its prime objective.

Pakistan State Oil CompanyLimited

tionalized, is thinking of setting up a \$100-million fer-tilizer factory in Baluchistan to manufacture diammonium phosphate. He also wants to supply compo-oents for the newly-formed Suzuki truck and automobile assembly plants of public-sector Pakistan. Automobile Corp. as well as tractor components to some of the five tractor assembly companies setting up in Pakistan.

"The best areas to get into are agriculture and engi-oeering." Mr. Habih said. The Habibs have already captured a substantial share of the bagging industry

for the country's agricultural produce. Many Pakistani investors are looking to foreign firms to start joint ventures. They saw those companies with foreign partners escape nationalization dur-ing Mr. Bhutto's time, except for the life insurance ocmpanies. A foreign partner also helps speed up time-consuming bureaucratic procedures.

Raw Materials Link

"The ideal opportunity is to be connected with a foreign company and be involved in something based on raw materials with an outlet in the Gulf," said Begum Salma Ahmed, who owns a ship-breaking firm but is looking into other investment opportunities oow that Pakistan's shipbreaking industry is going

Begum Ahmed claims that though many of the traditional business families that lost under Mr. Bhutto are oot keen on responding to the current investment challenge, new people are coming into the field.

One of her possible new areas of investment is a

cement plant, and cement is one area where the private sector is already visibly taking over from the public sector. At least four private sector cement plants are now coming up and should be completed by the and of 1984. by the end of 1984. "After two or three years of the martial law regime

to think of developing our energy resources and our people started noticing the steady growth of gross dohuman resources. These areas, together with improv-ing agricultural productivity, will be our priorities mestic product at 6 percent — on paper at least," Begum Ahmed said. "It now seems a good time to put over the oext five years."

money back into the country. The returns in Pakistan are very good, although investment may be safer elsowhere. The Habibs are astute enough to understand the present position. After a certain time of waiting and in the absense of any other major parties coming

forward, they feel they can probably make good."
Western industry and diplomatic sources point out that oo substantial investments are yet being made from abroad and this situation will continue while Pakistani businessmen themselves are still uncertain

Hope for Enthusiasm

When Britain's ICI decided to make a heavy investment in a 12,000 tons a year polyester plant oear Labore in the late 1970s, the Pakistan government hoped it might encourage other foreign companies to test the waters. But there was oo major reaction. And foreign companies already in Pakistan are still mainly restricting investment to expansion of existing capacity rather than new capacity.

Despite the cool response so far from its wooing of the private sector, the government has high hopes that the enthusiasm of people like the Habibs and the Ahmeds will spread. It looks forward to having its funds freed from industrial development so that it can channel them into new priority areas.

It has cut back total spending on industry to the point where its only major ootlay is on the Pakistan steel mill. The mill will start producing steel later this year, but will not be fully operational until 1984-1985. We are oow on a bridge between two stages of our development," said Fjaz Naik, secretary in the Eco-comic Affairs Division of the Ministry of Finance. "Having attained self-sufficiency in food grains, and with a reasonably good industrial base including near self-sufficiency in cement and fertilizers, we oow have Reflecting this shift in priorities, which was originally outlined in the government's three-year public sector development program (1980-1981/1982-1983), total expenditures for agriculture, energy and social services increased last year from 47 percent to 55 percent. Subsidies are currently eating up \$150 million

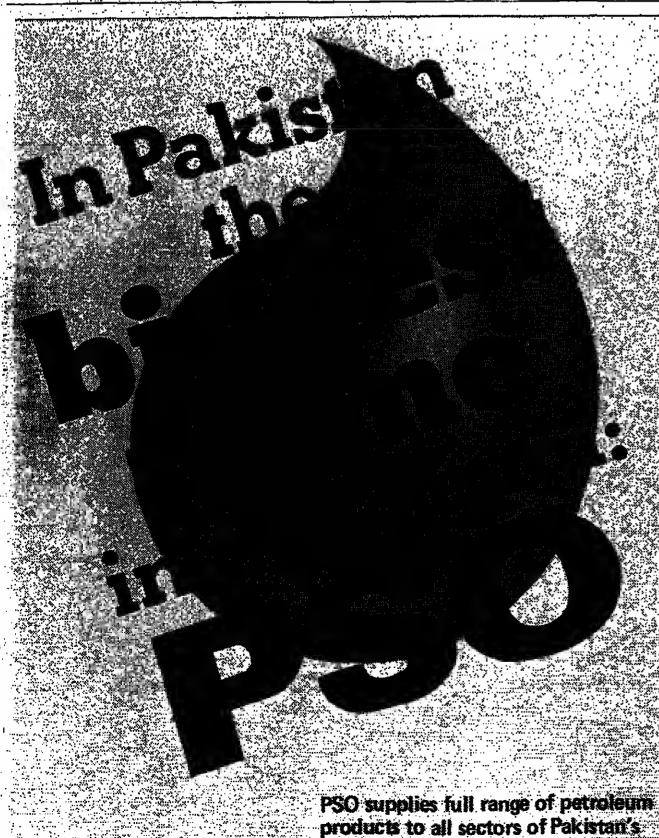
The three-year plan, drawn up in conjunction with the International Monetary Fund, called for a reallo-cation of resources away from the Bhutto policies and toward the following goals:

 Improving agricultural yield per acre, one of the lowest in the world. In this year's public sector annual development program, which began July 1, agriculture receives almost one-third of the total investment

 Bettering the energy infrastructure in order to build a solid base for industrial expansion. Pakistan now spends \$1.7 hillion annually on imports of crude oil and petroleum products, about 70 percent of the income it receives from its visible merchandizing exports (\$2.4 billion in 1981-1982). Domestic oil and gas exploration activities are to be stimulated and other energy options like nuclear power and hydroelectricity pursued. Under IMF and World Bank pressure, Pakistan is reforming its oil and gas pricing system. The higher prices should encourage oot only an increase in output from existing fields, but an increase in exploration in oew areas.

 Improving education and health, including looking at ways to control an annual population growth of

The high priority the government is giving the so-cial services is partly the result of years of neglect, and partly because of the growing political and ecooomic clout demonstrated by the rural establishment, which now wants its share of a better life too. Many of Pakistan's villages have men working in the Gulf. These 2 million or more workers have helped to improve the economic life of the bottom 40 percent of the country's population.





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Motority 51424

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45.02 11 27 45.54 15.77 49 (2) 12.77

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16.00

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International Bond Prices - Week of Aug. 5 Provided by White Weld Securities, London, Tel.: 623 1277; a Division of Financiere Credit Suisse - First Boston CONVERTIBLE BONDS 1.00 3.84 maturity 540 20 Apr 81 maturity 542 1/2 15 Oct 30 maturity 530 1 May 40 maturity 554 1/2 76- 547 35.53 10.50 42.02 7.94 4.84. 5.33 1 Sep 76 molumity \$475 molumity \$475 10 cl 79 molumity \$ 903.31/3 1 d.3 5.77 1 0 cl 79 1 Adv - 80 mil 250 1 Sep 70 1 Sep 70 1 Sep 70 1 Sep 70 1 Sep 71 1 Sep 71 1 Sep 72 1 Sep 72 1 Sep 72 1 Sep 73 1 Sep 74 **Note to Readers** 494 5.79 5.74 5.75 Because of technical problems, the full list of international bonds was not available. 4,98 5.40 61.28 2.44 804 333 110,74 6,74 473- 650 motority 5 22 3/4 1 Jul 50 maturity 1 Jul /2 maturity \$31 1/2 15 Jun 73 maturity \$41 1/2 I Aug 73 maturity \$ 27 15 Oct 20 maturity \$ 60 2/5 1 Oct 77 maturity \$ 68 3/4 1 Nov 49 maturity \$ 24 1/2 15 Sep 79 1 Feb 80 moturity \$473/5 71.70 2.23 12.18 4.79 moturity \$ 40 3/5 1 Oct 81 1 Oct 81 1 Oct 81 2 Mary 94 803 2/5 11 Feb 80 ven 385.20 = 24 Mary 95 13 Jul 81 13 Jul 81 13 Sep 90 1107 11/4 13 Sep 90 1107 12/5 13 Mary 12 ven 478 = 3 1 Sep 90 110 2/5 1 Sep 10 110 2/5 1 Oct 77 ven 905.10 = moturity 603 1 Oct 77 ven 905.10 = moturity 603 1 Jul 82 ven 781 2/5 2 Jul 91 ven 781 2/5 2 Jul 91 ven 781 2/5 2 Jul 91 ven 781 3/7 1 Sep 1a ven 791 16 - 25 Augu 91 1 Nov 77 ven 805 17 1 Nov 87 ven 905 141,84 12,50 493- 513 maturity \$26.3/4 1 Aug 45 maturity \$19.5/7 15 Aug 45 maturity \$2 15 Dec 48 maturity \$77.1/2 15 Aor 81 maturity \$72.2/3 11.42 1.25 427- 9.85 2.33- 2.05 172- 174 **3714**1 3.04- 1.53 5:02/3 445- 1.36 \$225/7 1284 983 **5 2**2 317- 1,44 1165/1 82% 443 445 1.44 5541/2 447 7.94 2.25 1.44 293- 242 1 Jul 77 maturity 573 1/4 1 Sep 73 maturity 194 1 Oct 67 maturity 527 1/2 1 Hav 67 3 15 Apr 68 dm 130 1 Oct 64 maturity 520 11 Sep 30 maturity 520 12 Sep 30 maturity 520 27 9 Sep 30 maturity 512 2/9 28 maturity 512 2/9 29 maturity 572 2/9 2 maturity 59 1 Jan 77 2 optocity 836 2/2 3.19- 145 53.86 240 1.30- 2.54 4.27- 6.55 7.15 1.86 20.03 .33 4.58 47 13.80 444 2 magarity 2 magarity 3 magarity 3 magarity 3 magarity 3 magarity 5 magarity 1.25- 1.54 18.44 7.54 3.35 1.79 34.76 441 7.53 1.01 2.50 1.05 57,22 4460 2.42 1.23 4,87- 5.06 6.35 1.23 2.78- 2.14 74.25 5.71 398- 214 123.29 1.54 1.43 monethy \$ 30 1/2 30 Apr 1/4 constructive \$ 56 1/5 15 Dec 79 motority \$ 26 15 15 Jun 77 monethy \$ 20 14 1 Jul 48 monethy \$ 437/6 1 Sec 69 monethy \$ 15 0 50 69 monethy \$ 15 0 50 69 monethy \$ 51 30 Jun 73 monethy \$ 51 31 Abox 48 monethy \$ 51 31 Abox 48 monethy \$ 51 1/2 1 Aug 67 274 143 55.16 1.46- 3.10 Y.ET 5.05 1219 5.87

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Explanation of Symbols -

Argentina Is Said To Ask Debt Talks

BUENOS AIRES — Argentina will seek to renegotiate part of the \$15 billion service payments due on its external debt of \$36.6 billion by the end of this year, central bank governor Domingo Cavallo has been quoted as saying.

According to newspaper reports, Mr. Cavallo said Saturday that the country's external debt of \$39.1 billion included \$2.53 billion of interest payments due on debt capital by the end of 1982.

In addition, Argentina is due to repay \$10.23 billion of borrowed capital and \$2.31 billion of debt by Dec. 31, bringing total service payments due on the foreign debt this year to \$15 billion, according to central bank figures Mr. Cavallo released.

The Buenos Aires daily newspaper La Nacion quoted him as saying, "Our wish is to achieve an extension or renewal of debts or fresh financial assistance, but only to cover capital of the public debt which has already fallen due for repayment, or which will fall due by the end of the year."

He did not give an exact figure for the amount of debt Argentina wished to renegotiate, but figures released show capital repayments due on the public sector foreign debt amount to \$5.47 billion in the second half of this year.

Mr. Cavallo said the government estimated Argentina could repay the \$2.53 billion of interest due on its total forcign debt during the second half without seeking special international assistance.

About half this sum would be covered by an animal capital series and animal and all this sum would be covered by an animal capital and animal and animal and animal and animal an

estimated second half trade surplus of \$1.3 billion and the rest by new foreign loans, he said.

The central bank has forecast a trade surplus of \$3.12 billion for all of 1982, based on exports of \$8.62 billion and imports totaling \$5.5 billion. Mr. Cavallo reportedly said the Argentine

Over-the-Counter

Withering Warrants **Create Heavy Losses**

By Terry Gross

International Herald Tribune
PARIS — A heavy load of Eurobonds with warrants collapsed last week, and when the rubble was cteared away, new issues by some top U.S. borrowers were in tatters. "I've never heard such scream-" one London-based hanker

Traders said the losses on the warrants were in the millions. But, having had a couple of days to think it over, few of them seemed

surprised.
A rush of new issues had been expected as borrowers sought to take advantage of a decline in U.S. interest rates, which came last week after the Federal Reserve cut its discount rate to 11 percent. The week saw a string of new honds by top-quality borrowers totaling more than \$1.2 billion.

Many of the issues featured warrants, either attached or sold sepa-

EUROBONDS

rately, entitling holders to purchase another issue of bonds within a set period. This also was expected, after an IBM issue with warrants generated very strong de-mand the week before. Warrants allow borrowers to issue paper at lower interest rates than that paid

on similar paper without warrants. What was not generally expect-ed was a midweek collapse in the market for the warrants and with it a collapse in the market for most bonds carrying warrants.

Traders said that at the end of the week the market stabilized, but prices of both new bonds and their warrants were low. One trader suggested that the bonds had been "falsely absorbed." meaning that underwriters and other professionals were holding onto their bonds rather than selling them at a loss.

Dealers, for whom the name of the game is quick turnover, were less than thrilled, even though they were still making money by hold-ing inventories of bonds. Such profit occurs because the cost of financing the inventories remains

well below bond yields. One banker said, "The psychology of warrant issues is clear. The investor is looking for the price of the warrant to go up, not next week, but tomorrow. If he experi-ences a bloodbath, he won't touch

And a bloodbath it was.

And a hoodbath it was.

An underwriter who had agreed to buy warrants at \$38 each, for example, found himself at the end of the week holding pieces of paper that were selling for less than \$30 each. The bonds, following the warrants down, were selling at prices well below the fee paid for

underwriting an Issue. Underwriters of bonds with war-rants from Du Pont. Xerox and Manufacturers Hanover all found themselves facing double-barreled losses, some even before they had signed the underwriting commit-

Others Were Stung

Underwriters were not the only

ones to get stung.

1BM warrants a week earlier generated strong demand among retail investors and were trading then at more than \$40 each. They fell last week to \$33.

"It was IBM, not the warrants,"
one banker said, noting that the computer maker's debt received a warm reception primarily because of its quality. IBM's U.S. un-secured debt is rated triple-A by Moody's.

Another said, "Investors who bought IBM [warrants] are furi-

They had been "caught in a downdraft just as if the market had collapsed."

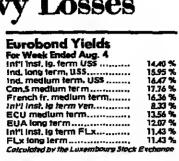
A week ago. after the price of the IBM warrants was bid up from \$25, investors began to realize that at \$40 or more per warrant, interest rates would have to drop to about 10 percent before the war-rants would be worth their price.

Following the Fed's lead, rates did fall — three-month Eurodollar rates went from 13.5 percent July 29 to a low of 12.31 percent last Tuesday. But 10 percent still seemed like looking through the

wrong end of the telescope. One London banker noted another problem. Warrants entitle Saturday by the Energy Depart-the holder to purchase a second ment, was taken under a law the holder to purchase a second bond issue within a given period at a given price. While there is an instant market and any number of market-makers for a new bond, the secondary market for the warrantenutlement bond is not guaranteed. In a week with more than \$1 hillion in new issues, holding an unknown was not the most sensi-

The quality of the IBM name step.

Australian \$ 1.014
Balgion na. fronc \$0.00
Conciden \$ 1.250
Donish frone \$.718
Flamish mork 4.7472
Greek druchma 70.01
Heat Kesp \$ 0.0055
frish £ 0.7284



Market Turnover

managed to keep up the price of its

\$100-million, 13%-percent issue. It closed the week at a premium of 100% despite the decline in the price of the warrants.

One banker said, "IBM is still alt right because when the war-rants are gone, investors know they have a good bond." But the other issues with war-

rants suffered in tandem.
Du Pont's \$200-million sevenyear issue at par bearing 14% per-cent was in the worst shape. The notes closed the week trading at a discount of 97%, not exactly a warm welcome to a double-A rated

The 200,000 four-year warrants initially sold at \$38 each can be used to huy Du Pont's 1314 percent notes due in 1987. The warrants were quoted Friday at \$29.50, which means that buyers of these warrants at \$38 were looking at a total paper loss of \$1.7 million.

Manufacturers Hanover Corp.'s \$100 million, four-year issue at par also took a beating. The 13½ per-cent notes closed the week trading at a discount of 98,

Each bond carries two detach able three-year warrants. Each warrant permits the holder to buy \$1,000 of Manufacturers Hanover's 131/2 percent notes of 1987 at par. The warrants were offered at \$18 each Thursday but by Friday were selling for \$16, a total loss of

five-year bonds, priced at par and yielding 14 percent. By the end of the week, they were quoted at a discount of 98%. The company's 100,000 warrants, each to buy a 121% necessaries, each to buy a 121% necessaries fire week they were quoted at a discount of 98%. The company's 100,000 warrants, each to buy a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were quoted at a 121% necessaries fire week they were provided at 121% necessaries fire 13!4 percent, five-year Xerox bond, were sold at \$30 each. They were quoted Friday at \$18 each, for a total loss of \$1.2 million. Bonds without warrants were

much better received. **Top Performer**

The week's best performer was the \$300-million offering of seven-year notes by Deutsche Bank's Luxembourg subsidiary. Bankers said Deutsche Bank

was to swap the proceeds at fixed rates with three unidentified banks in return for equivalent floating-

Priced at par and bearing 144 percent, the notes were quoted Friday at a slight discount of 99% after trading close to par for two days. Bankers said the issue probably would stabilize to trade at par.

perhaps as early as next week.

One trader said that Deutsche Bank is generally considered one of the best risks available and that its paper is not plentiful.

Announced on Friday was an issue hy Pacific Lighting's Southern California Gas subsidiary. The utility will raise \$50 million with a seven year Eurobond issue through its overseas finance subsidiary. Morgan Stanley Interna-tional is the lead manager.

The bonds will carry a 15 percent coupon and are expected to be priced Thursday at par.

Carl Gewirtz is on vacation. columns will resume Sept. 13.

Illinois Utility Bucks Trend, **Builds Reactors**

New York Times Service CHICAGO - Commonwealth Edison Co. continually boasts of being the leader in nuclear pow-er generation among publicly held utilities in the United States. In the late 1950s, it set off the first commercial nuclear chain reaction. Nearly a quar-ter of a century later, 45 percent of Edison's power comes from reactors, totaling more nuclear megawaits than any other investor-owned utility pro-

Many energy experts are wondering, however, whether Commonwealth Edison has been blinded by its nuclear effort into pursuing a costly and risky construction program. They say the compa-ny is in a cash bind because its management is single-handedly trying to reverse the tide against nuclear power.

Building Six Plants

Commonwealth Edison has six power plants under construction, including one in northern Illioois scheduled to go into full operation Sept. 1. By 1986, Edison plans to have spent \$5.6 billion on nuclear plants in an effort to meet its goal of mak-ing nuclear capacity at least 50 percent of its total by the mid-1980s.

Other utilities with ambitious nuclear construction programs have been canceling orders for nu-clear plants, including some in advanced stages of construction. Recently the Tennessee Valley Au-

thority canceled four unfinished reactors, a move expected to cost the authority \$1.85 billion.

Commonwealth Edison's most pressing concern is the Sept. I start-up of its \$2.5-billion La Salle I nuclear plant at Marseilles, Ill. The Nuclear Regulatory Commission said last week that it was investigating the reactor's ventilation system and reports of faulty welding. Edison has said delays could cost it up to \$600,000 a day.

And the company must face the long-term problem of nuclear waste disposal, which could become very expensive without government help.

In answering critics of nuclear power, Com-monwealth Edison compares its electric rates in chicago with the significantly higher rates of Eastern cities. But rates in some Middle Western cities
with little stake in nuclear power are slightly lower
than those in Chicago. And the national average
monthly electric bill is lower, too: \$34.24, compared with Chicago's \$38.81. Analysts say interest payments on Edison's construction programs have partly offset its fuel savings.

Commonwealth Edison's critics were delighted when they learned that the utility bad signed long-

New York Times Service

serve's latest money supply report sent hardly a ripple through the credit markets, but some analysts

are worried about what August

month that many had feared

would bring a big bulge in the money supply and force the Fed to

push interest rates higher. But, observed Paul W. Boltz, a money

U.S. CREDIT MARKETS

market economist at Continental

Illinois National Bank & Trust

Co., "money supply growth was benign in July," allowing the Fed to announce half-point reductions

in the discount rate on July 30 and

supply in August, when some peo-

Mr. Boltz said. There is concern.

he and others said, that if money supply growth is strong this month, the Fed might not have jus-tification for additional cuts in the

discount rate, the fee it charges on loans to banks, currently 11 per-

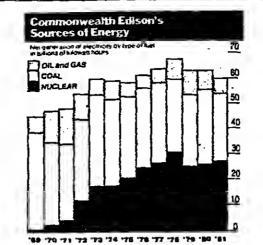
cent. Without further cuts in that

rate, they said, interest rates might

Attention now turns to money

Friday's report rounded out a

NEW YORK - The Federal Re-



term contracts under which it must pay more than the spot market price for coal and oil. Under pressure from consumers, Edison has renegotiated the contracts to stretch out the delivery dates, but regulators are still scrutinizing these deals.

The problems that led to the TVA cancellations — the high cost of borrowing, the slow growth of demand for electricity, and environmental concerns — also plague the Commonwealth Edison program. But James J. O'Connor, Edison's chairman, stands firm. He maintains that any delay would increase the costs and make construction less economical.

"The construction program is putting an enormous drain and strain on the company's financial bealth," Mr. O'Connor acknowledged. But he added: "We are determined. Our top priority is to finish the six plants under construction. Canceling doesn't make sense with the kind of investment we've made already."

Financing Needs

Commonwealth Edison has, however, put off starting work on two additional plants that were to have been completed in the 1990s.

Although Commonwealth Edison's earnings in

the first half rose 48 percent, to \$236.7 million, on revenue of \$2 billion, the company faces a troubled financial furure. State regulators have agreed that Edison should be making a return on equity of 17.5 percent, the most generous figure established by any state, but lately the return has been closer to 13 percent.

The utility estimates that its financing requirements for nuclear plant construction will reach a peak this year and next, when \$1.5 billion and \$1,4 billion will be spent, respectively. Only 60 percent of that amount is expected to come from internal sources. For the rest, Edison must turn to the capital markets.

The company's trips to the bond and equity markets earlier this year indicate what it faces. In (Continued on Page 16, Col. 5)

Steel Accord Seems Doomed; **Europeans Respond Angrily**

Compiled by Our Staff From Dispatches
BRUSSELS — European officials have responded sharply to
statements by U.S. steel companies that appear to doom an agreement on steel trade.

on steel trade.
In a coldly worded statement, the European Economic Community's chief negotiator, Etienne Davignon, said Saturday that he believes the agreement still stands.
"The U.S. authorities have not informed the European Commission of any change in their position."

President Reagan said Friday that the accord was equitable, and his administration was to recom-mend acceptance of it to the U.S. mend acceptance of it to the U.S. steel industry. But the agreement was rejected late Friday night by U.S. Steel Corp. and an association of specialty steel makers. Their condemnation appeared to torpedo months of diplomatic efforts to avoid a trade war between the United States and the EEC. the United States and the EEC.

David M. Roderick, chairman of the United States Steel Corp., said the negotiated proposal was "nei-ther fair nor equitable." He added that it would "condone a continuation of massive subsidies by Euro-pean governments of their steel companies and permit a continuation of unreasonably high levels of steel imports into the American market" at unfairly low prices.

Mr. Roderick said be boped U.S. and European officials would "continue to explore other alternatives for a fair and equitable solution that will allow us to withdraw our dumping and countervailing duty petitions."

But from the position taken by European officials, it appeared un-likely that any new round of nego-tiations would begin soon, if at all. The Europeans have threatened to impose restrictions on U.S. products sold in Europe if the United States imposes penalty duties on European steel shipments in the absence of an agreement on a voluntary import ceiling acceptable to the U.S. steel companies. The companies have a veto power over any

U.S. Consumer Rates

| Passbook Savings | 5.50 % |
|------------------------------------------------|--------|
| "All Savers" Certificates | 1.96 % |
| 4-Month Sayings Certificales | 11.61% |
| Tax-Exempt Bands Band Bayer 20-Band (ndex | 11,87% |
| Money Market Funds Danoshue's 7-Day Average | 11.17% |
| Home Mortgage FHL8, gverage | 17.28% |

growth for a while because of the

A U.S. industry executive said that the Europeans had offered to cut their share of the U.S. steel market to 5.75 percent from 6.3 percent in 1981. The proposal, he said, was one percentage point too high and failed to include all steel products sold by European companies in the United States.

The agreement was limited to shipments of hot-rolled sheet and strip, cold-rolled steel, plate, struc-turals, wire rods, bot-rolled bars, coated speet, tin plate, rails, stain-less steel sheet and strip, and stainless steel plate. The Europeans promised to deal later with pipe and tubular products.

The dispute stems from an unfair trade case filed by the U.S. steel industry last January. In response to that complaint, the Commerce Department has moved to impose duties that record to impose daties that would price much of Europe's steel out of the U.S. market. The imposition of the

The penalty duties are intended to offset government subsidies that allow the steel to be sold below cost, according to the U.S. industry's complaint.

To avoid the penalties, the Europeans offered to reduce shipments under the quota arrangement, but only if the unfair trade cases are withdrawn by the U.S. companies that brought them. That is what gives the U.S. industry veto power

over the agreement. European officials said the disagreement would force the Reagan administration to demonstrate whether it is stronger than the U.S. steel industry. "If President Reagan says the accord is equitable, what do you expect us to do now, go back and renegotiate an agreement which is inequitable?" one European official asked.

3 Hollywood Studios Plan Pay-TV Venture

By Tony Schwartz New York Times Service

NEW YORK - In an effort to win a larger portion of the rapidly growing revenues from pay televi-sion, three of Hollywood's six largest movie studios are to become partners in an all-movie pay-television network, according to sources close to the negotiations.

The three studios, Paramount Pictures, MCA Inc. and Warner Brothers, are expected to become partners in The Movie Channel, a 24-hour cable network that reaches two million subscribers and is owned by Warner-Amex Satellite Entertainment, a joint venture between American Express and Warner Communications, the par-ent company of Warner Brothers.

The deal is expected to be made public this week, the sources said Saturday. It represents the second attempt by major studios in two years to find a way to compete more effectively with Home Box Office, the dominant pay-televi-sion network, which has about nine million subscribers.

That competition is particularly significant because it is widely believed that the revenues from films shown on pay television will exceed those derived from theaters within the next five to 10 years.

None of the beads of the studios was willing to discuss the negotia-tions, but details were obtained from executives involved in the ne-

The first effort by the studios the fourth quarter of 1982, but of-ficials have said that the Fed would tolerate slightly faster and MCA, joined to form a service and MCA, joined to form a service called Premiere, which would have offered the first pay-television

showing of the partners' films ex-clusively to subscribers. However, the Justice Department brought a suit, and the service was ruled illegal on antitrust grounds in January. 1981.

Under the new plan, the three studio partners in The Movie Channel would each continue to offset the would each continue to

offer their films to other pay tele-vision networks as well. That approach makes antitrust action less The Movie Channel deal would

create four equal partners, the three studios and Warner-Amex. An executive at one of the companies involved put the value of The Movie Channel at \$100 mil-lion, meaning that the cost to each partner would be about \$25 mil-

The partnership would assure that The Movie Channel and other pay-television services would have available the products from three of Hollywood's most successful studios, at a time when Home Box Office has increasingly been using its considerable resources to buy exclusive pay-television rights to

Home Box Office already has a deal with Columbia Pictures, giving it access to a choice of that studio's most desirable films over the next several years.

Home Box Office has about half of all pay-television subscribers. Some studio executives have been concerned that its dominance and its practice of buying exclusive products could squeeze out com-

Box Office has countered the first investment in exclusivity has been to help producers complete films that the studios declined to invest in.

NEW ISSUE

The new 134-percent notes due in 1985 were offered at 99 2/32, down 22/32, to yield 13.58 per-cent; the new 13% percent notes due in 1992 were offered at 9914. down % point, to yield 13.82 per-cent, and the 14-percent bonds due in 2011 were offered at 103 30/32, down 14 points, to yield 13.44 percent The 13%-percent issue averaged 13.17 percent at the auction last Tuesday, while the 13%-percent issue averaged 13.69 percent. "Expectations in the market place have changed from contin-

rise slightly.

The Fed's announcement that the M-I money supply increased by \$900 million in the week ended July 28 was within expectations and caused no significant change

In credit market activity before Friday's late-afternoon money supply announcement, some sbort-Leeds, a money market economist at Chemical Bank. The next move term rates rose about % percentage point, while note and bond prices fell % point to 14 points. in rates will be down, but it is an-Securities dealers said that an other month or so away.

increase in their cost of financing. to about 10% percent from less supply measure, which the Fed anthan 8 percent early last week. made them more eager to cut prices in an effort to attract buyers for the recent beavy supply of Treasury issues. Last week, the Treasury sold \$5.5 billion each of three- and six-month bills, \$6 billion of 131/4 percent, three-year notes, \$5 billion of 13% percent notes due in 1992 and \$6.25 billion of one-year

Late Friday, three- and six-month Treasury bills were bid at rates of 10.21 percent and 11.1 percent, while the one-year bill rate rose to 11.38 percent from 11.2 percent at Thursday's auction.

The closely watched M-1 money

nounces each Friday, is defined as currency, all kinds of checking accounts at banks and thrift institutions, and travelers checks. By gradually reducing growth of the money circulating through the economy, the Fed hopes to reduce inflation. The Fed's M-1 growth target is 2½ percent to 5½ percent from the fourth quarter of 1981 to

economy's weakness.

AUGUS7 1982

Banque Worms

Credit Suisse First Boston Limited

Merrill Lynch International & Co.

Caisse des Dépôts et Consignations

Arab Banking Corporation (ABC)

County Bank Limited

Fuji International Finance Limited

Orion Royal Bank Limited

Sumitomo Finance International

Banque Worms

Morgan Stanley International

Bank of Tokyo International Limited

Continental Illinois Limited

European Banking Company Limited

Manufacturers Hanover Limited

Société Générale de Banque S.A.

Yokohama Asia Limited

CURRENCY RATES

LONDON - The government

has ordered state-owned British Gas Corp. to sell off its stake in five North Sea oil fields. The unexpected step, announced

The Conservative government is committed to selling nationalized concerns to private industry and has already decided to dispose of a majority share in British National Oil Corp 's North Sea oil business.

The Labor opposition, which opposed that move, is expected to challenge the government's latest

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|-------------|-----------------|--------------|-----------------|----------|------------|----------|--------------|----------|--------------|
| | Interbank e | xchange | rates for | Aug. 6 | , excludin | g bank s | strice ch | arges. | |
| | \$ | £ | D.ML | F.F. | n.L | Gidt. | B.F. | S.F. | O.K. |
| Adveterdage | 1 2 <i>76</i> 2 | 4,727 | 118,t4 ° | 39.605 | 0.1975 | _ | 5.774 ° | 129.075 | |
| Brussela (a | 1 47.78 | 81.83 | 19.095 | 4.863 | 3.419 - | 17_3485 | | 22.42 | 5,925 |
| Frenktwit | 2,497 | 4.267 | _ | 35.94 * | 1.789 y | 70.68 ° | 5,238 | 117.07 * | 28.72 |
| London (b) | 1.7106 | | 4,2785 | 11,892 | 2,368.58 | 4,7075 | 61.55 | 3.4549 | 14.8645 |
| Milan | 1,400.20 | 2,373.00 | 558.88 | 200.48 | _ | 507.10 | 29.285 | 635.25 | 160.85 |
| New York | | 1,707 | 0.3993 | 0.1438 | 0.072 * | 0.363 | 0.0207 | 0.467 | 0.115) |
| Ports | 4975 | 71.935 | 275.25 | | 4.785 x | 252.75 * | 14.5825 | 376,40 " | 60.06 |
| Zurich | 2.136 | 3,6468 | 85,335 ° | 30.655 ° | 0.1528 | 77,49 | 4.4437 | | 24.52 • |
| 1 acu | 0.943 | 0.5518 | 2.3623 | 6.5752 | 1320.00 | 2,6018 | 45.1143 | 2.0129 | 8.2114 |
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| | | | D | oflar V | alues | | | | |
| ş Ewriy. | Currency | Per U.S.S | E SUIY. | Curre | ney ILS | | s uiv. Co | ITERCY | Per U.5.5 |

British Gas Told to Sell Oil Stake Ted Rowlands, energy spokes-man for the Labor Party, said the order to sell was "barely constitu-tional" and showed a "flagrant disregard for Parliament's right to

scrutinize the sale of national as-sets." The Parliament is in summer The oil field holdings of British Gas, the nation's major gas supplier to industry and domestic consumers, are worth between £300 million and £500 million (\$513

million and \$855 million). The Energy Department's aim is Aerospace to the public last year.

Tokyo Pacific Holdings (Seaboard) N.V.

Plerson, Heldring & Pierson N.V. Herengrachi 214, 1016 BS Amsterdam

Slock Office Services.
5th Floor, Orapers Gardens
12 Throgmorton Avenue. London EC2P 2ES

whether this will take the form of offers of shares or a simple sale of assets to oil companies, officials The oil fields involved are the Beryl, Montrose and Fulmar, all three of which are in production, and the Huttoon and North West

to complete disposal next year, al-

Huttoon, which are under develop-The government also plans to sell British Airways and sold 50

Tokyo Pacific Holdings N.V.

The Quarterly Report as of 30th June 1982 has been published and may be obtained from:

Konigsailee 21-23 D 4000, Dusseldorf 1

N. M. Rothschild & Sons Limited London EC4

l'Européanne de Banque 21 Rue Laffitte, Paris 9 Merrill Lynch International & Co. Sal. Oppenheim jr. & Cie. Trinkaus & Burkhardt

Benque de Paris et des Pays-Bas 3 Rue d'Antin, Paris 2 Boulevard Emile Jacqmain 162, Bruxelles Banque de Paris et des Pays-Bas pour la Grand-Ducké de Luxembourg 10a Boulevard Royal, Luxembourg

Royal Exchange Building 56 Pitt Street, Sydney N SW 2000 وكنامنالأعل

These Notes having been sold, this announcement appears as a marter of record only.

U.S. \$75,000,000

Floating Rate Notes Due 1994

RECTIFICATION SOCIÉTÉ GÉNÉRALE

U.S. \$100 millions floating rate notes due 1985/1988/1991

For the six months July 22, 1982 to January 23, 1983, the notes will curry an interest rate of 14%% per amount.

The interest due January 24, 1983 against coupon N° 3 will be U.S. \$369,74 (instead of U.S. \$369.75 as indicated erroneously) and has been computed on the actual number of days elapsed (186) divided by 360.

The principal paying agent

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will include full interest for that period. Long Term Units, representing a balanced portfolio of Eurobonds and Euroconvertibles. Income is paid annually and units can be redeemed every week at net asset value, less 1%.

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- London, 1, Angel Court Paris, 14, Place Vendôme
- Frankfurt, 46, Mainzer Landstrasse
- KREDIETBANK S.A., Boulevard Royal 43, Luxembourg.

Hungarian Bank Gets \$260-Million Credit

foreign banks.

tax-spared.

is \$20 million.

Asia. Sanwa International

Finance, Sumitomo Finance and Société Générale.

\$200-million floating rate Enro-credit, which it said is the largest

such loan ever arranged on the

The 11-year credit carries a spread of 4 point above Libor

and a 0.85 percent commission.

The loan also includes an early redemption clause for 1990 and

Leading participants included Nomura Securities, Credit Lyon-

nais, Sanwa International Finance,

LCTD International and Bank of

Crédit Lyonnais said that the

banks raised the loan in Singapore

in an effort to tap a new source of

funds. About three-quarters of the

credit was sold in Japan, the bank

· A loan being arranged for Crédit Foncier de France for be-tween 10 billion and 15 billion yen

over 10 years is to use as a reference the three-month rate for ven-

denominated certificates of depos-

it, according to banking sources,

Asian dollar market.

Crédit Lyonnais is raising a

its depressed economy.

Compiled by Our Staff From Dispatches LONDON — The \$260-million, three-year Eurocredit for the National Bank of Hungary is due to be signed here Monday, the lead manager, Manufacturers Hanover, has said.

The loan, completed after negotiations over a number of weeks with senior commercial bankers, carries a spread of 14 percent over the London interbank offered rate or of 1 percent over the U.S. prime

The 15 banks involved each are to receive a 1/2 percent commit-ment fee. Eleven banks are to lend \$20 million each, and the four London clearing banks, Barclays, Lloyds, Midland and National Westminster, each are to provide \$10 million.

The credit is the first syndicated loan for a sovereign borrower in the Eastern bloc since martial law was declared in Poland last De-

Elsewhere, banking sources said that the Eurocredit for Malaysia is likely to be increased to \$1.1 bil-

lion from the current \$1 billion when it is signed Aug. 18. The loan was due to be split into two parts, with \$600 million raised at % point over Libor and \$400 million at 16 point over the prime.

The increase may be made in the
Libor portion, the sources said.

Bankers said that the \$150-mil-

lion credit for Yugoslavia, being negotiated with French banks through Banque Paribas, could run nto difficulties.

They said the French banks want the credit linked with an export credit to finance the purchase of French goods by Yugoslavia. But Yugoslavia, trying to restrict imports, is unwilling to link the credit with any other loan, the bankers said

They said the credit would be the third part of a series of loans to Yngoslavia. The others, extended in 1980 and 1981, were linked indirectly to export credits, they said. Among other credits:

The Italian state telephone

agency Societa Finanziaria Telefonica per Azioni is raising \$100 million through an eight-year Euroloan, lead by Sumitomo Bank. The credit is to have a five-year grace period and carry a spread of 1/2 point over Libor for the first

four years and % point thereafter.

• Mexico's state steel company,

Gold 345.30-345.80

Valeurs White Weld S.A.

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Advacent on the Washington Mirrort

OUR 36th YEAR

Utility in Illinois Bucks the Trend **Against Reactors**

(Continued from Page 15)
February, it borrowed \$400 mil-Altos Hornos de Mexico, is secking a \$200-million club loan with lion for 30 years at 16 percent, a rate that is partly a result of crom-The deal is in its early stages, sources said, but a 1%-point spread over Liber is likely. They said the bling credit ratings. Later came an equity offering that raised \$195 million, with shares issued well berelatively high spread for the fivelow the company's book value of year loan reflects a tougher market \$26 a share.

Commonwealth Edison says it attitude toward Mexico because of will make additional trips to both markets later this year, even if · Korean Electric Power Corp.'s \$310-million, eight-year long-term interest rates remain loan has four parts, one over prime, one over Libor, one Japahigh and a new share issue fetches less than book value. Utility shares nese tax-spared and one British have been dropping recently in response to a Senate vote to chimi-Sources said \$100 million is exnate the tax-free dividend reinvestpected to have a spread of 0.2 ment provision for utilities that point over prime for the first four

was included in the 1981 tax law. Mr. O'Connor said financing at years, rising to 14 point for the reless than book value was necessary so the company could maintain a respectable debt-to-equity ratio. "If we're going to finish the program," he added, we have no al-A further \$160 million is to have interest set at % point over Libor for the initial two years, followed by % point for the last six years,

They said the British section is \$30 million and the Japanese part A steady dividend payout and climbing profits have not over-come Wall Street's skepticism, The lead managers are Chemical Asia, First Chicago Merchant Bank, Manufacturers Hanover however. "That's the trouble with these big construction programs: they ruin your debt structure and your balance sheet," said John Slatter, an electric utility analyst with Prescott, Ball & Turben, a Cleveland-based brokerage.

1116

3%. 114

Reagan Finds a New Supply-Sider

By Jonathan Fuerbringer New York Times Service

WASHINGTON — Martin Stu-art Feldstein, whom President Reagan said on Friday he would nominate as chairman of the Council of Economic Advisers, is a conservative economist from the mold that produced the president's

economic policy.

But he has also uttered words that Mr. Reagan does not like to hear: He has suggested delaying the third year of the president's cherished individual tax cut as a way to reduce federal budget defi-

Such a stand, however, is the kind of complicated position the sometimes controversial Harvard economist likes to take.

It could signal a kind of careful economic analysis that is necessary to weigh the alternatives as the Reagan administration struggles to find a way to get its economic policy working.

Nor should such a stand auto-

matically relegate the 42-year-old economist, to a secondary role.

While he has suggested delaying the July 1, 1983, installment of the tax cut, he is against taking it away and opposes most permanent tax

courage government spending. A leader of the growing ranks of young conservative economists, he is committed to reducing the defi-cit by chopping domestic spend-

increases, contending that they en-



Martin Feldstein

ing, especially the growth of entitlement programs, the biggest of which is Social Security.

This makes him a supply-sider, as is the president. But while Mr. Feldstein pushes for tax cuts and incentives to spur investment, he is not in tune with the all-out supply-siders who directed early Reagan economic policy and were frustrated by a restrictive monetary policy.

Mr. Feldstein acknowledges the need for a restrictive monetary policy to fight inflation. This is the administration's current mix of

policy, but it is one that has so farhas been hampered by a sharp recession, record unemployment

and large budget deficits. Mr. Feldstein comes to the council at one of the most difficult times in recent history, and some economists wonder whether he will be able to have a strong impact on

an economic policy that has essentially been taken over by politics. Alan Greenspan, chairman of the council in the Ford administration, said, "It's a very tough envi-ronment for economic policymak-

ing at this time. "He is coming to an environment in which more than any time in recent history political forces are dominating economic poli-

But others felt that if anyone can take charge, it will be him. He was at the top of the list to replace Murray L. Weidenbaum, who resigned to return to Washington University in St. Louis.

Mr. Feldstein is serious and precise, and looks it with his stoot-9-inch, unathletic frame, balding pate and horn-rimmed glasses. He is not known as a charmer. His concern is for quality, not style.

While he has created some controversy as the head of the National Bureau of Economic Research and with his study on Social Somity, he is well-respected among his fellow economists.

American Exchange Options For the Week Ending Aug. 6, 1982

212

1/2 15-16 20/2 15-16 1-16 13-16 576 476 474 20/6 474 1 744 244 174 114 314 114 5-16 1-16 1-16 1-16 1-16

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BNP IN FRANCE: A SATISFACTORY YEAR

customer deposits (FF171.6 billion at the end of 1981) increased by 6.4%. Thanks to stringent policies BNP has improved the structure of its deposit base. Current accounts and deposit accounts increased by 20.7% and 24.3% respectively from the end of 1980 to the end of 1981; during the same period fixed deposit accounts went down by 14% and casb certificates by 11.3%.

Lending to French customers (FF171.4 billion at the eod of 1981 went up by 17.8%; foreign currency loans went up sharply while loans in French Francs suffered the effects of credit controls,

BNPs advisory role In 1981 BNP enlarged its range of products and services - mutual investment funds Nario Fonds Placements, treasury Unit Trusts Natio Epargne, an increased rate of installation for automated teller's machines consolidated its reputation as the bank for advisory services. Client advisers ensure that account holders receive regular assistance with the management of their investment portfolios.

Corporate financing Once again BNP is proving

to be one of the principal banks for small and medium-sized businesses. Its efforts were applied particularly to investment finance, strengthening of business equity through shareholders loans, encouragement for innovation, support for export business and the creation of new enterprises. Lending to major businesses showed a marked increase (+ 30% generally and + 70% for foreign currency credits alone).

BALANCE-

The total of BNP's balance-sheet at 31st December 1981 was FF551.9 billion against FF452.7 billion at 31st December 1980,

an increase of 21.9%. Before distribution of profit

equity and loan capital amounted to FF19.2 billion against FF12.6 billion at the end of

1980; this increase comes mainly from deben ure loans in

French Francs and in foreign

currency, which went from FF6.9 billion at the end of 1980

SHEET

RESULTS

In 1981 BNP made a net profit of FF591.4 million against FF603.5 million in 1980. Net results in France show a marked decrease (FF335.3 million in 1981 against FF429.8 million in 1980) because of the oced to make substantial provisions for contingencies as a consequence of the current economic crisis and a 71% increase in rates and taxes. On the other hand net results outside France increased

hy over 47%.
Net consolidated profit was
FF1,169 million in 1981 (against
FF898 million in 1980) almost twice the profit of the parent company.

BNP IN THE WORLD: STRENGTH AND DYNAMISM sing its share of the total of

Internationally, with its geo-graphical stength and diver-sity, BNP is one of the world's major banks; a sound performance in 1981 was the result of sustained effort in the search for improvements in productivity, a selective approach in opening new branches and the consolidation of existing facilities. Several objectives belped in the co-ordinated progression towards increased efficiency: employee quality through rigorous professional training, inter changeability between staff within operating tea-ms, increased profitability by constantly improving management methods, improved co-ordination through greater awareness of the BNP Group's overall unity.

Foreign trade assistance

BNP strengthened its position as the leading French bank for foreign trade, raimedium and longterm export finance from 18.61% at the end of 1980 to 19.84% at the end of 1981. The foreign trade department, taking advantage of the strength of. BNPs French and foreign network, noticeably increased the number of operations led by BNP. A well developed capacity

for research and support ailows BNP to employ sophistreated financing techniques and to use such resources to help in assessing risk-related decisions. BNP, the leading

French bank on the international capital market

BNP has maintained at selective policy when deciding in which loans to participate: in 1981 there were 69 curoloans (27 led by ENP) and 235 eurobond issues (116 led by BNP).

| Assets | (million francs) |
|----------------------|-------------------------------------------------------------|
| December 31, 1981 | December 3, 1981 |
| 17,689 | Cash in hand, central banks accounts, Freatury, etc. 32,737 |
| 199,390 | Banks and financial institutions 200,527 |
| 69,708 | Government stock, notes and hends 55,153 |
| 242,041 | Customers 234,684 |
| 61,292 | Other accounts 67,939 |
| 13,835 | Securities |
| 6,703 | Investments |
| 2,714 | Leasing |
| | Debenture Joans 13.841 |
| - | Preference shares losts |
| 99 | Shareholders'funds 7,393 |
| - | Profit for the year |
| 613,471 | Total 613,471 |

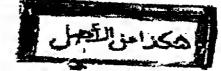
to nearly FF13 billion at the end of 1981. Shareholders' funda were FF5.5 billion. The total of the consolidated balance sheet was FF613 billion at 31st December 1981, showing a 25% increase:

11:196 higher than that for BNP stone Constituted equity and loan capital reached FP223 billion with networth FP25 billion



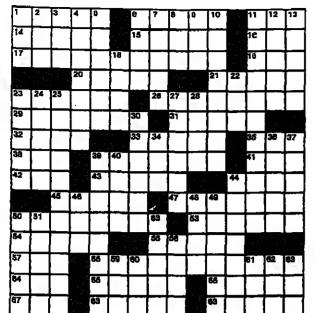
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مكنامنالأجل

CROSSWORD



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WARSAW

Readings from the previous 24 hours.

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23 National hero of Hungary 24 Part of a string

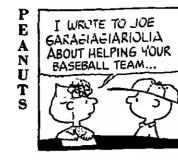
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40 Town on the 44 Under oath at a trial 46 — Anne de Beaupré 48 "Jabberwocky" creature

49 Ryan and Tatum 50 Use a Jacuzzi 51 Native of Kuala Lumpur 52 Bold one 56 Norms: Abbr. 59 Timothy

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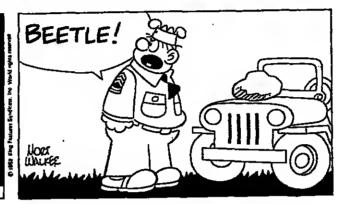


















I'M THE PLAINTIFF. DARLING-NOT YOU! SO. PLEASE, DON'T

FEEL GUILT!









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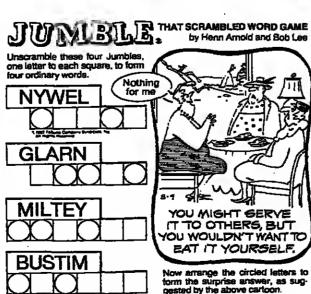
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BOOKS

CONJUNCTIONS AND DISJUNCTIONS By Octavio Paz. Translated from the Spanish by Helen R. Lane. 148 pp.

Seaver Books, Grove Press, 196 West Houston Street, New York, N.Y. 10014.

Reviewed by John Leonard

SITTING down to describe this book, I feel that I am going to flunk a test. Octavio Paz, the Mexican poet, essayist, diplomat and part-time anthropologist, knows so much that his head must hurt. "Conjunctions and Disjunctions," dense, lyrical, digressive perverse and sometimes wit-ty, gnaws at itself. It wants to answer the question, "How do civilizations die?" It cannot. The pleasure and pain of reading it are those of paradox. Paz, who would fuse all polarities, or at least explain why they failed to fuse, leaves us feeling more dualistic than we thought we were when we sat down with him.

To oversimplify, grossly: There are, according to Paz, two "signs" by which every civilization orients itself. They are "body" and "oon-body." The precise meaning of these signs resist from culture to culture control. varies from culture to culture, century to century, East to West, but "body" has to do with what is irrational (feelings) and "non-body" to what is rational (ideas). They aren't necessarily opposed; indeed, they must exist in a creative, reciprocal relationship if the civilization is to prosper.

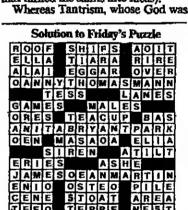
Sort of Freudian

As with civilizations, so with individuals. Each of us contains the poles, and are full of flux. If this sounds sort of Freudian to you, it does to me, too.
The pleasure principle would presumably be body, and the reality principle non-body. All "sublimation," in the Freudian sense, is non-body. Rather puckishly, Paz tells us that the "collective sublimations" of our time include. tive sublimations" of our time include "art, religion, philosophy, science and psychoanalysis." But individuals don't interest him as much as the cosmic picture.

For a civilization to prosper, it must balance its signs. Such a balance isn't static; it is more like a see-saw. (The analogy is mine, not his.) When a social system loses its capacity "to criti-cize, deny and transform itself," it is done for. Either the system then explodes, dumping one of the signs on the ground, or it goes to sleep, as if both signs were of equal dead weight.

For example: Protestantism, "the

For example: Protestantism, "the ascetic religion of capitalism," disturbed the equilibrium of Western Christian civilization by "disjunction." That is, it emphasized non-body to the extent of "an irreparable break" with a Roman Catholicism capable of accommodating body (God incamate) and non-body (religious art that turned the saints into ideas).



an idea and whose art was erotic, put the East to sleep by "conjunction." It absorbed and smothered criticism by pretending that real differences be-tween Buddhists and Hindus didn't exist. Compromising on everything, it ended up with nothing except cultural stagnation, especially in India.

In this case, "East" doesn't include China, China is "eccentric" to Paz's poles. The pole for China and Japan, he suggests, might be pre-Columbian-America. This is the Aztec spin he puts on so many of his modernist oo-

I'm already running out of room. Let us skip. The problem with the West today, he says, is that we lack body. We are in the stranglehold of the non-body idea of progress, of linear time, of a future to which the present is forever being sacrificed. And things are no better in the Communist countries: the future, always the future, whereas the body knows time but the present. We require NOT another revolutioo — revolu-tions are history-ridden, future-fixated - but an erotic resurgence, an "explosion of emotions and feelings."

Where will this resurgence come from? From young people, hopes Paz, fed up with linear thinking, in "a search for the BODY sign," oo their way past "heart" to the Other, which he seems to be defining as "the pres-ence of the beloved," a lovely phrase. I should point out that "Conjunctions and Disjunctions" was first published in Mexico City in 1969, back in the days when many people who should have known better were misty-eyed and fantasy-prone on cootemplating young people. Let them eat Norman

This summary is partial and crude. It omits the intellectual side-delights the book, such as watching Paz move from a consideration of the distance between the human face and our sexual organs to a lengthy analysis of rapid ejaculation (Western, Protestant) versus seminal retentioo (Eastern, Tantric) and why both of them are selfish and fearful. It can do no justice to his contrasting of East-ern and Western attitudes toward food, excrement and death, nor is there room to explain why he feels that the bank and the water closet are "typical expressions of capitalism."

Who else could be as offhand and back-of-the-handed about Kari Marx, William Butler Yeats, Judalsm and the Confucian mandarins? Who else speaks of such "conjugations" as the Counter-Reformation and Spanish poetry, Moslem mausoleums and In-dian temples? Who else would link up the "Kama Sutra" with Castiglione, or the Buddhist law of plural causality with Godel's proof of logic? Or talk of the orgasm as a "principle of rational production" introduced "into the realm of eroticism"?

All this, of course, is a kind of legerdemain, as in Paz's "Alternating Currents," but the magician is as serious as he was in "Labyrinth of Solitude." He may not persuade, but he dazzies.

John Leonard is on the staff of The New York Times

BRIDGE

By Alan Truscott

SOUTH opened one heart and West bid two hearts. By partnership agreement this cue-bid showed the top and bottom suits, in this case the black suits.

Not unreasonably, North tried four oo-trump, asking for aces. But East applied pressure by jumping to six

with a fit in both black suits and no defensive prospects, East was ready to go to seven spades. But he changed his mind when South made a wild leap to seven hearts and West doubled to show he had a defensive

Six hearts would have been easy, since diamonds can be thrown from the closed hand, but seven hearts was hopeless. West cashed his spade winner, and Brachman's team gained 17 points and won the match hy 13. In the replay, North-South reached six hearts and their opponents failed to

save. Even if they had dooe so, however, they would have lost the match.

NORTH **VAQ6542**

WEST **AAKQ94 ♣**J 1082 ♦ Q85 **107652**

> SOUTH (D) 4763 VKJ10973 ♦-AK106

North and South were vulnerable 4N.T. 64

West led the spade acc.

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SPORTS

Floyd Has 5-Stroke Edge Going Into Final Round of PGA

By Gary Pomerantz

Washington Post Service TULSA, Okla. - Although the weatherman said there was a 30percent chapes, there was no precipitation Setterday afternoon. But the reign continued.

Ray Floyd shot a two-under-par 68 to stand at 10-under-par 200 after three rounds of the 64th Professional Golfers Association championship. He has a five-shot lead over Australian Greg Norman (76-205) and Jay Haas (68-205). "I should have a 10- or 11-shot lead instead I missed a lot of mak-

able birdies today," said Floyd, wearing a towel around his neck after nightening the noose around the necks of 73 other golfers Floyd birdied holes No. 3, 8, 9, 12 and 16. On No. 8, a 215-yard par-3, he hit a 2-iron shot 40 feet round 69 on Friday: "I played well from the pin. "The worst shot of again.
the day," he recalled. He sunk the "A few made parts and it might putt for birdie. It was that kind of

Floyd's 200 set a 54-hole PGA championship record, breaking the mark of 202 set — by Floyd — in 1969, when he won the event, and by Larry Nelson in 1981.

"In Not Going to Change"

Considering the way he's playing after rounds of 63, 69 and 68, and considering the way he expects himself to keep a lead once he gets it, it seems likely that if Floyd won't have struck oil on the 72d hole Sunday, then at least he'll have mearthed a \$65,000 treasure

Floyd's appraisal of his second-

have been a 65 or 66.

"I'm a good player from in front because I don't go out and play just for par, he said Saturday. I'm not going to change that tomor-TOW

While Floyd was consistent, the rest of the field was convicted. After two straight days of having its pride and par cut up, Southern Hills struck back Saturday. Bob Gilder was the prime exam-

ple. He began the third round in second place, six under par - just two shots back of Floyd. On Friday, playing two holes in front of Floyd, Gilder actually ned

him at seven-under with a birdie on No. 17.

With both the Byron Nelson Classic and the Westchester Open in his victory pile this year, Gilder said he likes the leader board, the only known place where it's good to be in the red.

"When I looked up there to-day," he said, "I was just thinking 'It's me and him. I'm in the hunt." Then he bogeyed No. 18. And Samrday he shot a 72. It

wasn't your not your standard 72, either: Gilder hacked out a round of four bogeys, four birdies and a double bogey. There was more than a differ-

ence of two strokes between Gilder and Floyd at the halfway point There was also one of philosophy on the pressure of a major tour-

"I just forget about it. A golf shot is a golf shot, no matter," said Gilder, who never has won a ma-

"It's something I like," said Floyd, who won the 1969 PGA and the 1976 Masters. Those who can't handle pressure won't be too

Said Floyd Saturday: "The key to succeeding here is getting through the first four holes." Gilder proved that — in reverse. His bogey-bogey-double bogey start had his caddie muttering to the gallery on the fourth fairway, "I can't believe he's doing this to me

Jim Simons was prime example

GUAYAQUIL, Ecuador --

Three world records were set dur-

ing the final two days of the World

Cornelia Sirch of East Germany

set a mark of two minutes, 9.91

seconds in Saturday night's meet-

ending women's 200-meter back-

stroke, Sirch, 15, broke the 2:11.77

record set in 1980 by Rica Rein-

isch, also an East German. Georgi-

na Parkes of Australia won Satur-

day's silver medal in 2:14.98 and

Carmen Bunacin of Romania was

Earlier Saturday, the U.S. team of Rick Carey, Steve Lundquist,

Jeff Tribble and Rowdy Gaines set

a world record in the men's 400-

meter medley relay. Their 3:40.84

crased the mark of 3:44.22 set by

another U.S. team in 1976. The So-

viet Union finished second

(3:42.86) and West Germany's

On Friday, Birgit Meineke (free-

third in 2:15.50.

Swimming Championships bere.

3 World Records Fall

At Swim Competition

He began the round tied for third with Norman at five under, three shots back. Simons found the Tom Weiskop! (149). back nine booby-trapped. He lost four shots to par there and finished at 73-208.

Calvin Peete shot a 68, to stand at 207, but hurt his knee when he slipped on the 16th fairway.

Masters winner Craig Stadler (70-211), British and U.S. Open winner Tom Watson (71-212) and perpetual winner Jack Nicklaus (72-216) are suffocating hack in the pack at one over par, two over and six over, respectively.

Watson came to Southern Hills hoping to tie Ben Hogan's 1953 record by winning three majors in

Miracle Seeker

Aware that he is 12 shots back with 18 holes to play, the optimum optimist Watson admitted. "It would take a miracle."

It also would also take fatal failing by Floyd, which doesn't seem likely. "I haven't mis-hit more than four or five shots in 54 holes," he

"It's tough to say anyone has done any better than that in a maior tournament.

"I'm at my peak now. A golfer's best years are from 35 to 45" Floyd is 39 — "you can look it

The course made its painful inci-sions Friday, cutoff day. With 145 as the magic number, off to history

Siderenko of Russia also set a meet

record in the men's 200-meter indi-

vidual medley with a time of

West Germany upset a U.S. world-

record holder for the second in the

competiton, beating Craig Beards-iey in the 200 butterfly. Gross, who earlier had edged Rowdy

Gaines in the 200 freestyle, was passed by Beardaley st the 150-meter mark but overhauled him to

win in a meet-record 1:58.85 sec-

onds - 84-bundredths of a second

slower than Beardsley's world

mark. Sergei Fesenko of the Soviet

Union was second in 1:59.91,

On Friday, Michael Gross of

Tambay Takes German Grand Prix Finn Keke Rosberg, whose Wiland somersaulted three times be-HOCKENHEIM, West Germa-

пу — Frenchman Patrick Tambay, in a Ferrari Turbo, won Sunday's German Grand Prix for his first third in the championship with 27 vietory in 53 starts in Formula 1 points. racing.

So did 52-year old Arnold Palm-

After his 74-76 showing, Palmer

signed autographs for a group of

Tulsa policemen in the locker

He quipped, "Can't stick around, fellas. Got to go home and

go to work. Got to make money. I'm not going to do it playing

day. The pin positions were diffi-

cuit. The rough is no misnomer. Feeling the frustrations, Jim Thorpe (73-216) said, "With the heat, the rough like it is and the

putts not going right, most of us

players just want to get out of

Floyd, of course, viewed things differently. As the weatherman's rain finally fell on Tulsa early Sat-

urday evening, he looked out of a

window, swigged some Gatorade and said, "This has been a pleasant

Only 11 players broke par Satur-

room. He even signed an oil can.

er (150), who has yet to win a PGA

championship.

But his elation was mixed with sadness. "I thought of Gilles and of Didier," he said. "They were both me. It's difficult."

He was talking of the late Gilles Villeneuve, whom he replaced at Ferrari after the Canadian's death at the 1982 Belgian Grand Prix, and of team leader Didier Pironi, in Heidelberg hospital with legs severely injured in a practice accident here Saturday, his career apparently over.

Tambay, 33, is a former Canam champion whose victory in Hockenheim was the first in "a long and difficult career in Formula 1."

He started the race fourth, passing the Renault Turbos of fellow Frenchmen Rene Arnoux and Alain Prost under braking in the first 10 laps of the 45-lap race.

Piquet Piqued

He took the lead on lap 19, when world champion Nelson Pi-quet of Brazil, holding a lead of about 24 seconds on Tambay, was pushed off the road. Chilean Elieseo Salazar rammed

Piquet, and the Brazilian, furious, punched and kicked at Salazar when they emerged from their cars

"That was not my normal reac-tion, but Salazar had already cost me a hell of a lot of time," said Piquet. "I was just too upset."

Tambay was then unchallenged to the end, passing the entire field except Arnoux, who finished second. Tambay's time for the 190 miles was one hour, 27 minutes, 25.178 seconds, an average speed of 130,42 mph.

Piquet set a lap record for the track, modified with two new turns, of one minute, 54.035 seconds on the seventh lap at an average speed of 133.33 mph.
Pironi retains the championship

lead with 39 points to 30 for Briton John Watson, who crashed when the front suspension broke one his McLaren at the first turn while he was in third place. He had gone off the road at the same spot in the morning warm-up session.

hiams was jumping out of third and fourth gear, finished third, a lap behind Tambay. Rosberg now is

Didier Pironi, waiting to be extricated from his wrecked Ferrari.

Italian Michele Albereto, the probable rookie of the year in his first complete Grand Prix season, drove another excellent race after qualifying his Tyrrell, the fastest of the conventional-engine cars. He finished fourth.

The last two championship points went to Bruno Giacomelli of Italy in an Alfa Romeo, who was fifth, and Swiss Marc Surer in an Arrows. Surer would have been a non-

qualifier if Pironi and former world champion Niki Lauda had been able to start. Lauda returned to Austria, site of next week's Grand Prix, to nurse the wrist he injured in an accident during prac-

Pironi fractured both his legs and his left arm in Saturday's crash, which came amid heavy rain when Pironi's Ferrari hit the rear of Prost's Renault, shot into the air fore crashing down. He was trapped in the car for 20 minutes.

Before the race, Sunday track doctor Wolfgang Gruh announced that Pironi was able to move the toes of both his legs after a operation lasting nearly six hours to avoid amputation of his crushed lower right leg.

GERMAN GRAND PRIX
1. Patrick Tombay, France, Ferrari, 1:27:25.17
hours, 139,27 mph.
2. Rone Arnoux, France, Renault, 1:27:41.55.
3. Keke Rosberg, Finland, Williams, one loss

J. Kesto Hazare se in the late of the late R. Roberta Guerrero, Colombia, Ensien, one k 7. Nigel Mansell, Aritain, Lotus, two laps, 10. Derek Warwick, Britain, Toleman, two laps

DRIVER STANDINGS 1, Didier Pironi, France. 39 points, 2. John Wotson. Britain. 38. 1. Rosberg. 27. 4. Alain Prest, France, 25. 5. Niki Lauda, Austria. 24. 4. Riccords Patriete, Haly, and Arnous. 19.

& Nelson Playet Brazil 17.

Europen All-Stars Win U.S. Soccer Match, 3-2

EAST RUTHERFORD, N.J. -Giancarlo Antognoni scored in the 88th minute to give Europe a 3-2 victory over the Rest of the World in a charity all-star soccer game here Saturday night.

A member of Italy's World Cup championship team, Antognoni capped a three-goal comeback by the Europeans. The losers had taken a 2-0 lead at the half on goals by Zico of Brazil and Lakhdar Belloumi of Algeria, but the Europeans struck in the second half on goals by Kevin Keegan of England, Bruno Pezzey of Austria and the game-winner by Antognoni, the midfielder whose shot elicited a chant of "Italia! Italia!" from the sellout Giants Stadium crowd of 76.891.

The game, for the benefit for Unicel, was televised to 60 coun-

move her around, never keeping the ball only to her backhand or

Clerc also cited his three-setter

against Purcell. "I didn't sleep very well last night," he said Saturday. "I was really nervous because I didn't sleep. He [Higueras] played yesterday in the afternoon and I

played at night. That's the differ-

Arias, who has what Simonsson called "the best forehand in the world," led, 5-2, in the first set be-

fore Simonsson fought back to take a 6-5 lead. Arias said his serve

started to work in the tie-breaker,

which he won 7-3, but then he let

ence, the timing."

tries on six continents and earned approximately \$300,000 for the children's fund of the United Na-

The European team met a counterpart known as the Rest of the World. Players from 20 countries participated. International rules were in effect, with the exception of unlimited substitution.

alone in the upper left corner of the box. Antognoni fired a 20yarder that slammed off the hands of goalkeeper Thomas N'Kono of Cameroon and trickled in.

last month's World Cup and made several admirable saves Saturday. Keegan scored his goal in the 58th minute. Franz Beckenbauer. the West German honorary captain, flicked the ball to Rossi near the top of the box; Rossi then headed the ball to Keegan, who shot from inside the box to beat N'Kono.

In the 79th minute, Autognoni set up Pezzey's tally. The ftalian chipped a free kick into the box and Pezzey cut through the wall to shoot home a 15-yarder.

The Europeans had been domi-nated by flamboyant footwork and quick pace in the first half. In the 29th minute, Giorgio Chinaglia of the United States dribbled to the top of the box before sending the ball to Hugo Sanchez, on the left. The Mexican rocketed a 20-yarder that Diro Zoff, the Italian goal-keeper, blocked with his left arm the rebound from eight yeards out.

mouth past Zoff's left arm. Bel-

up in the second set. "I was a little tired from the first set, and then he got np a break and I got discouraged," Arias said. "I started thinking about the third set at 2-1 in the second." "He almost gave me the second

set," said Simonsson, who eliminated the top seeded Guillermo Viias early in the week. "He was not trying so hard. He was fit for the third set and I wasn't." Higueras, returning to form af-

ter a two-year bout with hepatitis. came into the tournament with a world ranking of 14th. He took a 5-2 lead in the first set and a 4-3 edge in the second set but said he was never really sure of the outcome until the end.

"To me, when I play someone like Clerc, the match is not over until I win the last point. Until I got the final point, I wasn't sure I was going to win. There were a few very close games."

Higueras, who lost in the claycourt final in 1978 to Jimmy Connors, has never played Arias. "I don't really know what to expect," Arias said. "He's a steady player and doesn't make mistakes. I'll have to be out there a long time, which I'm not looking forward to." Arias advanced to his first final Particularity and a server have match two weeks ago at Washing-

With the score at 2-2 and the game seemingly headed for over-time. Paolo Rossi, the Italian World Cup hero, found Antognoni

It was a harsh finish for N'Kono, who drew fine reviews at

- but midfielder Zico put home

The margin went to 2-0 largely thanks to questionable defense by Europe. Socrates of Brazil sent in a dribbler that rolled across the goalloumi, Africa's 1981 player of the year, was unmarked - and tapped

N'Kono showed strong goalkeeping in the early going. He blocked a hard shot by Pezzey in

the 25th minute and punched out a header by Humberto Coelho of Portugal in the 38th. In the 44th minute, he denied Rossi and Zbigniew Boniek of Poland on successive shots. Europe lost an excellent chance in the 12th minute, when Beckenbauer missed a goalmouth

CFL Standings EASTERN DIVISION
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1 1 1 126 112 7
2 3 0 112 141 4 WESTERN DIVISION 2 8 0 115 M 3 1 0 124 83 2 1 1 183 80 3 3 0 141 119 1 3 0 72 120 British Cimb

Calgary 30, Ottawa 19

More Sports On Page 17

Yankee Dave Winfield made it from first to third on a single by Lou Piniella in the third inning of Saturday's 9-1 victory over Texas. Winfield's headlong side just did beat the tag by Buddy Bell.

Braves' Margin Down to 2½ Games

Compiled by Our Staff From Dispatches LOS ANGELES - Mike Marshall singled in Dusty Baker from: second base with two out in the followed with a bunt but Mahler, 11th inning Saturday night to give with an easy out at the plate, threw the Los Angeles Dodgers a 7-6 vio instead to first—and Russell beat bory over Atlanta, cutting the it out for a hit, scoring Guerrero and leaving the bases loaded. With two outs, Sax singled in Cey and League West to 2½ games two outs

With one out in the 11th, Baker Garvey.

Tringled to center off Steve Bedro-

31 BASEBALL ROUNDUP: sian. One out later, he stole second before Marshall, a rookie outfield... on six hits as the Padres won, 4-1. er who was pinch hitting for winning pitcher Joe Beckwith, deliv-

rered his single.
The Braves had tied it at 6-6 with two out in the top of the ninth on Gleun Hubbard's RBI double to deep center field and Dale Murphy's line single to left

off Steve Howe: The Dodgers had taken the lead in the sixth when Steve Sax singled with the bases loaded to climax a four-run outburst. Trailing, 3-1, the Dodgers opened the inning with Baker's double off Bob Walk. Pedro Guerrero singled Baker to third and Baker scored on Ron

AMERICAN LEAGUE .

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Hous, Fingers (10) and Strimons: Whitson, Girm (1) and Housey, W.—Hous, 94. L.—Girmn, 41.—Nrs.—Mitwoukse, Cooper (22). Simmons (19). Clayeland, Harrah (23).

G.Gray (J). HATIONAL LEAGUE

New York 900 (1) 991—3 4 7 Philippurph 020 (0) 304—7 9 0 M.Scolt, Lynch (5), Leach (7), Oracco (7) and

Y—Ro.Jones, 7-4. L—Bournsorter, 6-3. HRs— Sey York, Klasroon (27). Pittsburgh, Locary (3).

Rick Mahler replaced Walk, and Steve Garvey beat out a surprise bunt to load the bases. Bill Russell

Padres 4, Reds 1 In San Diego, Andy Hawkins, a

rookie right-hander, and Gary Lucas combined to check Cincinnati 105 2

four-run seventh that helped the Cardinals to a 9-5 triumph over Montreal Cubs 3, Phillies 2

In Chicago, Bill Buckner greeted

Tug McGraw with a tie-breaking. two-run single with two out in the eighth that gave the Cubs a 3-2 victory over Philadelphia.

Mets 5, Pirates 2

In Pittsburgh, Dave Kingman hit a two-run home run in a four-

e = Cey's single. Friday's and Saturday's Baseball Line Scores

> P.Nielcra, Bedrosian (4) and Beredict; Stewart, S.Howe (8) and Scioccia, W.—3.Howe (8) and Scioccia, W.—3.Howe (9).
>
> 2. L.—Bedrosian, 5-4, HRs—Aflanta, Whitemton (4), Washiburton (7). Saturday's Results

G.Dovis, 32: HR.-Komson City, Breith 180.

G.Dovis, 32: HR.-Komson City, Breith 180.

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Hood, Quisenberry (7) and Sloupht, AcGresor

and Derronesey, Nelson (8). W.-Hood, 3-6. L.
McGresor.

12-9. HR3-Konsos

LDy,

U.L.Westhireston 2 (4), McRess (3)).

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Sileb, Gelsel: (8) and Whitty: Moorts and

LALParyish, W.-Morris, 13-11. L.-Sileb, 11-11.

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Beston

Konsman, Boroles (8), Hickey (9), Lomp (9)

and Fisk; Hurst, Ascarts (5), Cledo (8) and

Albeison, W.-Konsman, 4-5. L.-(Lurst, 3-6. HR.
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Chicago, Fisk (9).

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Charten AMERICAN LEAGUE Teronto 802 200 220-7 11: 8 Defroit 981 200 198-4 18: 1 Clancy, D.Murray (7) and Whitt; Postnick, Seen 14), Jernes 18) and Portish, W.-Clancy, 9-18. L.-Pashnick, 2-4. HRs-Toronto, Mullinits (2), Usehow 114), Adoms (1), Defroit, G.Wilson (1) 200 011 120-7 10 1 002 000 001-0 8 1

Dotson, Hickey 197 and Flatz Tudor, S.Manley (4) and Gedman, W—Cotton, 5—11. L—Tudor, 7—9. HRs—Chicago, Berntzand (7), Rodriguez

Accepting the prevention; D.Costing, Pacific St., Sorie 16), Little (7) and Laudeer, W.—Keough, 9-15. L.—B.Costille, 59. MRS—Octiond, Gross (5). Armas (17). Minnesofu, R.Woshinston (5). Kohass City 300 082 092–6 16 1 Armos (17), Mannesota, R.Woshinson (5).
Kohtes City 30 082 092 - 5 1 1
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Black, Quisenberry (7) and Stagetif,
D.Mortinez, Grientev 16), T.Mortinez 10 and
Dempsey, W.—T.Martinez, 6-5, L.—Quiseberry, 6-5, HRs.—Konsos City, Brett (17), Baltimora, Forst

(8), Singleton (9).

Mitticuluse

Clavvignd

ACClure, Sloten (8) and Stemmons, Yesl (11);

Suicitife, Spitier (8), Givan 1111 and Bonde, Hossey (18), W—Given, 5-1, L—Steton, 8-3, HR—Cleveland, Thornson (25).

Criffornio

Will and Boone, Parry and Sweet, W—Will, 6-2, L—Parry, 7-6, HR—Caffornia, Ro. Jackson (22). Zoht, Sanchez (5), Goltz (9), Heaster (9) and Bonne: F.Bonnister, Andersen (6), Storton (6), VondeBerz (6), Bord (6) and Bulling, Sweet (9), W.-Sanchez, 42, L.—F.Bonnister, 10-7, HRs.— Collionia, Re.Jockson (26), Lynn (15), Scottle,

NATIONAL LEAGUE

Chicago 197 902 600-4 / A Ruthven, Reed (?), Monde (&) and B.Diax; Riptey, Le.Smith (8) and J.Davis, W.—Riptey, 4-4. L.—Ruthven, 8-10. HRs.—Philadelphia. Schmidt Philippelia 186 800 001-2 4, 6 Chicago 100 800 02x-3 7 8 Christenson, McGraw (R), Reed (7) and B.Diez: Noies, Le.Smith (7) and J.Davis, W— Noise, 3-7. L.-Christenson, 7-4. Hits-Philodelphia, Matthews (17), Schmidt (22). 808 899 862-2 7 7 888 808 362-7 15 1

**M.Scott, Lynch (5), Leach (7), Orasco (7) and sodes: Sormiento and T.Pena. W.—Sormiento, i.l. L.—M.Scott, 7-9. HRs.—Pitisburgh, i.Thompson (20), Easier (8).

Second Gense 90 92 203—7 9 0 Htsburgh 900 92 901—2 71 4 Htsburgh 900 92 901—2 71 4 Htsburgh 900 92 901—2 71 4 Htsburgh 900 900 901—2 71 4 Htsburgh 900 900 901—2 71 4 Htsburgh 900 900 900-2 901—2 71 4 Htsburgh 900 900 900-2 901—2 71 4 Htsburgh 900 900 900-2 901—2 71 4 Htsburgh 900 900-2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901—2 901 101 102 100—5 12 2 012 200 40x—7 13 0 St.Louis St.Louis St. 200 Abr. — 12 88
Gollickwork Schotzader (4), 8.5mith (7) and Blockwork Skiper Kont (5), 5ctter (8) and D.Parter: W.—Kont, 5-2. L.— Schotzader, 1-7.
HRs.—Montreal, Dawson (1-6), Wallock (1-6). Romers, Prymen (7), Rearden (8) and Carter; Induir, Bour (8) and D.Porter, W. Rosers, 144.

Cincinneti 000 000 100-7 6 1 Son Diego 020 001 100-4 6 1 Sofo, Lesley (6) and Van Garder: Hawkins, Lucas (6) and T.Karmedy, W.— Hawkins, S.I. L.— | Solon | Solo

Giants 9, Astros 2

tained the .500 level with their fifth home seventh of a scoreless game with a single that began a three-run rally. He later had an RBI hit in a six-run eighth.

ton, Tony Bernazard and Aurelio Rodriguez hit homer to help Chicago beat the Red Sox, 7-3. It was In St. Louis, Lounie Smith's the eight victory in nine games for two-run triple broke a 5-5 tie in a the White Sox.

Angels 3, Mariners 1

in Miguel Dilone from third with

first two innings, then routed Frank Tanana (5-13) with an RBI

Yankees swamped Texas, 9-1.

Upshaw and Glenn Adams all had home runs to give Toronto a 7-4

mas delivered four hits, including a 400-foot home run, as Oakland beat Minnesota, 7-1.

three-run home run in the seventh helped the Orioles beat Kansas

In San Francisco, the Giants atstraight victory, 9-2, over Houston. Pitcher Renie Martin led off the

In Seattle, Ron Jackson drove in two runs with a home run and a

sacrifice fly, leading California past the Mariners, 3-1. In Cleveland, Von Hayes singled

two out in the 11th to give the Indians a 4-3 decision over Yankees 9, Rangers 1

In New York, Dave Collins scored the first two runs, in the double in a four-run third as the

Blue Jays 7, Tigers 4 In Detroit, streaks of four Tiger victories and five Toronto defeats ended as Rance Mulliniks, Willie

A's 7, Twins 1 ... In Minneapolis, Waybe Gross hit a two-run homer and Tony Ar-

Orioles 6, Royals 5 In Baltimore, Ken Singleton's

run sixth-inning rally as New York defeated the Pirates, 5-2,

White Sox 7, Red Sox 3 In the American League, in Bos-

style) and Kristin Otto (back-stroke) won their third gold medals of the championships as part of East Germany's world record-setting women's 400-meter medley relay team, which also included Ute Geweniger (breaststroke) and Incs Geissler (butterfly legs). Otto had previously won the 100-meter backstroke, while Meineke was the 100 freestyle champion - and both had been on Tuesday's victo-

3:44.78 took the bronze.

rious 400-freestyle relay team.

The winners' 4:05.88 broke by 79-hundredths of a second East Germany's world mark set in 1978. The U.S. team of Sue Walsh, Kim Rhodenbaugh, Mary T. Meagher and Jill Sterkel was second in 4:08.12; the Soviet Union was

third in 4:17 36 Geissler also scored an upset by beating Mary T. Meagher of the United States in the women's 200meter butterfly. Geiscler was clocked in 2:08.66; Meagher, the world record-holder, finished in 2:09.76, while Heike Dahne of East Germany won the bronze in

Greg Louganis of the United States won his second gold medal in the men's diving competition. He took the platform diving event over Vlademir Alemik of the Soviet Union, while Bruce Kimball, an

American, won the bronze, Vladimir Salnikov of the Soviet Union, world-record holder in the men's 1,500-meter freestyle, erased his own meet record of 15:03.99, set in 1978, with a 15:02.77 triumph Saturday. Sviatoslav Semonov, his teammate, finished second in 15:05.54 and Darjan Petric of Yugoslavia had a bronze-medal clocking of 15:10.20. Alexander

while Beardsley faded to a 2:00.08

Petra Schneider of East Germany, who earlier in the meet won the 400 individual medley in worldrecord time, barely missed another world mark in Friday's 200 individual medley: Her 2:11.79 was just six-bundredths of a second off Geweniger's standard. Geweniger won the silver in 2:13.38, while Tracy Caulkins of the United States took ber second bronze of

the meet with a 2:15.91. In the four different sports water polo and synchronized swimming as well as swimming and diving - contested during the competitions, the United States finished with gold-silver-bronze to-tals of 13-11-10, while East Germany was 12-9-5 and the Soviet Un-

In swimming East Germany went 12-8-5 for a total of 25 medals; the United States was 8-8-9/25 and the Soviet Union 4-6-3/13. In the 1978 world championships, U.S. swimmers won 20 of 29

Ruzici U.S. Clay Court Champion; Higueras and Arias to Vie in Final

Higueras had gained the semis

Gildemeister of Chile, while the

unseeded Simonsson continued his

string of upsets with a 7-5, 6-4

quarterfinal triumph over sixth-

seeded Andres Gomez of Ecuador.

In the women's semifinals Fri-

day, Ruzici, who lost the final to

Andrea Jaeger a year ago, trounced Bonnie Gadusek, 6-2, 6-

0, and Sukova upset second-seeded Kathy Rinaldi, 7-5, 4-6, 6-4, to set up the first women's final between

two non-Americans in the history

At least one American had

played in each of the previous 52

women's finals since 1912 (the

women's event was not held in

Sukova, 17, held service in only

one game, the first of the match.

Sukova committed numerous un-

forced errors, most of them from

her backhand. Ruzici, one of the

strongest players on the women's

tour, took advantage and grew

"This is the first big tournament I've won in the United States," said Ruzici, who added that her

next goal was to play well at the U.S. Open. "I would like to prove

myself among the top five players.

Sukova, who was in her second

final since turning pro, said her three-set match against Rinaldi af-

fected her play against Ruzici. "I

game. I thought 1 had a good chance, because all this week I

played really well. I didn't give up. Every ball, 1 tried," Sukova said,

"I was not afraid of her," said

"but she played too well."

"She didn't let me into the

was too tired to win," she said.

I want to see myself among them."

of the tournament.

1913, 1924-39 and 1942).

steadily more dominant,

by downing Pablo Arraya of Peru, 6-4, 6-0, on Friday. Clerc, a two-time defending champion, beat Mel Purcell, the 1980 runner-up, 4-6, 6-4, 6-4. Arias registered a 6-4, 6-3 victory over No. 14 seed Hans Gildemeister of Chile while the semistration of the semistratio

Hans Simonsson of Sweden, 7-6, 2- many tournaments. I was trying to

Urdted Press International

INDIANAPOLIS - Virginia Ruzici of Romania won the women's final of the U.S. Open Clay Court tennis championships with an easy 6-2, 6-0 victory Saturday over Helena Sukova of Czechoslo-

José Higueras of Spain, the No. 5 seed in the men's draw, defeated second-seeded José-Luis Clerc of Argentina, 6-3, 6-3, in one semifinal Saturday. In Sunday's final, he was to meet Jimmy Arias, the 17year-old American who defeated

SPEED BALL - Speed Bowl, driven by Tommy Haughton, overtook Jazz Cosmos in midstretch in Saturday's 57th running of the Hambletonian, in East Rutherford, N.J., and went on to win by a neck. Earlier in the day, both horses had won their divisions of the preliminary heat in the second leg of trotting's Triple Crown. Houghton, 25, is the youngest preliminary heaf in the second leg of trotting's Triple Clows. Is John Simpson, 27 when he driver ever to win a Hambletonian; the youngest previously was John Simpson, 27 when he won with Timothy T in 1970. Haughton's father, Billy, has won the event four times. Speed

LANGUAGE

Oxford Seal of Approval

By Gregory Jensen United Press Inter

ONDON - Well, that's a relief. ft's now "OK" to drink enough "plonk" to be a "partypoop" in a "polo-neck" before taking a "pin-up" out for a "pizza."

"Hopefully" no one is too

"gung-ho" about "polyunsaturates" to use a "phone-in" while complaining that, thanks to an obscure American author, "antidisestablishmentarianism" is no longer the longest word in the English

That nonsensical outburst was prompted by the publication of not one but two new Oxford dictionaries, which put the seal of approval - well, at least qualified approval - onto all the words in quotation marks above.

Together, the two volumes are a kind of Scrabble player's guide to the universe.

"We are recording the language as it is developing," said Robert Burchfield, the white-haired scholar who has been editor in chief of the many Oxford dictionaries for

Though the new Concise Oxford Dictionary (£7.75, or about \$13.50) tries to he up to date, it doesn't include "yomping," the fa-vorite new word from the Falkland Islands war. Burchfield had a definition ready — "Carrying heavy military equipment across boggy

Sri Lanka Decides To Try Hijacker

The Associated Press COLOMBO, Sri Lanka - The government has announced that it will not extradite Sepala Ekanayaka, a Sri Lankan who hijacked an Italian jet June 30 and threatened to kill 263 people aboard unless he got \$300,000 ransom and was reunited with his estranged wife

The Ministry of Justice said Sri Lanka, as a signatory to international treaties governing unlawful scizure of aircraft, was obliged to extradite or locally prosecute Mr. Ekanayaka for his hijacking of the Alitalia Boeing 747, which he threatened to blow up in Bangkok.

The government has decided that Mr. Ekanayaka should be prosecuted in Sri Lanka in accordance with the laws of Sri Lanka," the ministry said.

ground" - but decided the term had not been in wide enough circu-

lation long enough Terms that get into circulation and stay there are the feature of the expensive (£55) "O-Scz Supplement," packed with 18,750 words.
(There is, by the way, no English word beginning with "scz.")

The supplement, part of a four-volume project that is scheduled to take 24 full-time and 100 part-time researchers 28 years to complete, traces the first known references of words it includes. It is a companion to the granddaddy of them all, the Oxford English Dictionary.

"Patootie," a sweetheart, and the aforementioned "plonk" and "party-poop" originated in the 1920s in the United States. "Gung-bo" may have started with the U.S. Marines, the supplement says, but it came from a Chinese word meaning "work together."

You may have thought "ongoing" was a ghastly modern inven-tion, but George Eliot's publisher first used it in 1877.

"Hopefully" is an Americanism that sets British teeth on edge. Burchfield and his crew labeled it "D" in the oew Concise Oxford, a designation meaning "disputed" and implying that proper people don't use it.

Radical Chic OK'd

Another new mark, "R," is set against words that are considered against words that are considered against words that are cally or ethnically offensive. "Limey" is one. "Wop" is not. Nor are "Brit" and "pommie."

Among the 450 or so words that

have entered the language each year, "radical chic," "occupation" in the sense of one country by another) and "Rubik's cube" get the Oxford seal of approval in the

massive O-scz Supplement.
The new longest word, in the supplement, is a tongue-in-cheek invention by an American writer, Francis Joseph Xavier Scully, whose approach can be judged by the title of his 1936 book, "Bedside Manna," one of a series of humorous medical books that Scully called "Fun In Bed."

In "Bedside Manna" he invented a lung disease "cansed by ultramicroscopic particles of sandy volcanic dust." He called it "pneumonoultramicroscopicsilicovolcanoconiosis" - 45 letters, count 'em. That's 60 percent longer than

William Safire is on vacation.

Fricassee You Later, Alligator

of the Interior, The Associated Press reported in the IHT on July 26, "is considering allowing the export of alligator meat" - in a way, a step backward from an announcement made by the same

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service two years earlier, when it was teetering on the verge of releasing alligator meat to all comers. Americans as well as foriegners, the latter of whom seemed to be thought of as less

Perhaps this delicacy is now to be permitted to Americans too, though it is a little difficult to seize the exact import of a further phrase that speaks of "eliminating federal permits for the alliga-tor trade in states that have adequate permit systems of their

Eating alligator, or at least dealing in its meat, has been banned for a score of years without arousing any great display of public indignation. It was in 1963. I believe, that the American alligator was classed as an endangered species and thus could no longer be hunted or otherwise annoyed. The alligator took advantage of this immunity to multiply so mightily, in Florida and Louisiana especially hut also in Texas, that where man and alligator cohabited it became an arguable question as to which species was more endangered.

In 1980 there was one alligator for every 30 persons in Greater New Orleans and the ratio was probably the other way around in the bayous. In Florida and Louisiana, people began to come face to snout with alligators in their garages and hackyards. Alligators took to attending lawn parties, adding animation but at the expense of other amenities, and rural church services, which may have had a salutary effect on congregations by impelling them to reflect on the hereafter. They showed a particular fondness for golf courses, thus giving a second sense to the word "bogey" on the links. It would seem that the time to discourage the alligator has come, and that it has been decid-

ed that nothing discourages an alligator like being eaten. feels that the American alligator

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THE FISH and Wildlife Ser-vice of the U.S. Department so misguided as to belong to other nationalities, it may be partly because European gourmets have been receptive to this dainty in the past, and indeed still are, despite the uncertainty of the supply.

Hèdiard, the grocery behind the Madeline in Paris that specializes in exotic foods, stocks alligator, but a French weekly that recently reported this fact commented that the item had oot appreciably augmented the store's annual turnover. Alligator can also be had in London if you are determined, and the Hotel Ritz in Berlin used to serve alligator steak with green chilies.

Europeans, however, have no monopoly on alligator eating. ft is a food that Americans have not neglected, though the first Americans were not enthusiastic about it. The Natchez Indians, of what is today the southeastern United States, held that the damned in their version of hell would eat no meat, nor any other food except rotting fish and shellfish, and the flesh of alligators.

This did not prevent the first English-speaking colonists of alligator country from eating alliga-tor, beginning in Georgia. The Georgians did not necessarily differ with the Natchez about the quality of alligator meat, since they are it, not out of gourmandise, hut out of necessity. The first settlers had been lured to this colony hy glowing pros-pectuses, issued by the company in London that had been granted the concession to develop the area, waxing enthusiastic on the excellence of the fruits growing on Georgian soil. The settlers discovered that the promised foods flourished only in the advertising, and they were forced to make do with what they had. What they had was alligator. For part of 1738 the settlement of Frederica lived almost exclusively on alliga-

'The Horrid Noise'

When William Bartram, in about 1730, was exploring the neighborhood of the enormous Okefenokee Swamp, mostly in Florida but partly in Georgia, he made a trip down the St. Johns River, where he was astonished to find his passage blocked by what ff the Fish and Wildlife Service seemed to be a solid bank of fish.
This phenomenon was quickly

sels are the feet. This may be a question of preference: The feet give dark meat, the tail white. f do oot know how much credence should be given to this book's description of the taste, since it is unaware that there is a difference between the North American alligator and the South American caiman, but, for what it may be worth, f pass on its opinion that alligator tastes "a little too musky." James Forsyth, who serves roast Texas alligator at his restaurant in Antwerp, Belgium, says it "tastes like pork and smells like fish." 'Very Tasty Fare'

Howard Mitcham, now retired, but once chef in his own restau-rant, writes in of "Creole Gumbo and All That Jazz":

"Yes, yes, yes, alligators are edible, and they're very tasty fare when Cajun and Creole cooks go to work on them. . . . My friend Marian 'Pie' Pendley, the food editor of Louisiana Conservationist' magazine, has a lot of friends down in Cameron Parish, where the alligators grow in abundance. These friends, some of them wives of alligator hunters, have supplied her with recipes that are 'straight from the horse's mouth,' and she passed them on to me. With some alligator meat a Cajun friend gave me, l kitchen-tested several of the recipes in my laboratory, and I can vouch for the fact that they're very tasty."

To this Mitchcam appends recipes for alligator à la Creole, pot-roasted stuffed alligator steaks, oven-barbecued alligator and fried alligator tenderloins.

This account of alligator eating by Americans can end where it began - with Georgia. In 1978, The New Yorker magazine published a "Profile," not, as usual, on a person, but on a place -the state of Georgia. In it E.J. Kahn Jr. told how two adventurous spirits set out to learn how long they could live on Sapelo Island (since made a wildlife preserve) solely on the foods that could be found there, without having resort to any one of them twice. "It took them," reported Mr.

Kahn, "six weeks to exhaust the possibilities, which ranged from alligator to peacock." ft was not recorded how either tasted.

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NAPA VALLEY LETTER Sauvignon à la Mickey

By Terry Robards New York Times Service

VOUNTVILLE, Calif. — If any I doubt exists about wine's being a fashionable business these days, it should be dispelled by the influx of Hollywood celebrities and entertainers to the vineyards of northern California.

The latest to enter the field in the Napa Valley are Lillian Dis-ncy, the widow of Walt, and her daughter and son-in-law, Ronald and Diane Miller; he is the president of Walt Disney Productions. They have acquired some prime

pieces of vineyard land, have constructed their own winery and will soon be marketing premium varietals under the name Silverado Vineyards. They say they are determined to produce wines of the highest quality. Their equipment is the best available, and the grapes from their vineyards have already proved themselves among the wines of other top Napa producers. The first wines under their label, from the 1981 vintage, are

On the other side of the Napa Valley, in Rutherford, is the Niebaum-Coppola Estate, whose proprietor is the film producer Francis Ford Coppola Several years ago he acquired the Victorian mansion built by Gustave Niebaum, the Finnish sea captain who pioneered in California viticulture with Inglenook Vineyards

The first Niebaum-Coppola bot-tling is a 1978 blend consisting of 60 percent cabernet sauvignon, 38 percent cabernet franc and 2 percent merlot, fustead of cabernet sauvignon, it will be called simply red table wine when it is released next year. Yet it is a wine of extremely high quality that will com-pete with the best cabernets of

California. Both of the Smothers brothers, the comedy team, are also in the wine business. Tommy has planted vineyards in the Sonoma Valley, and Dick has independently estab-lished Vine Hill Wines Inc. in Santa Cruz. He is considering moving his winery to Sonoma in a joint venture with his brother, but so far the Smothers' wines have come entirely from Vine Hill.

The comedian Pat Paulsen is another Sonoma Valley producer, having established Pat Paulsen Vineyards in Cloverdale. Imitally, the Paulsen grapes were sold to other producers, but now bottlings

under the Pat Paulsen label are beginning to appear ginning to appear. A sauvignon , blanc and a muscat canelli are being marketed on the West Coast. Another entertainer, Wayne Rogers, is a grape grower in San Luis Obispo. He is part owner of: Continental Vineyards, which produces grapes for sale to other win-

Our Founder

At Silverado Vineyards in Will ountville, a framed portrait Yountville, a framed portrait of Mickey Mouse by Andy Warhot stands in an office awaiting a place of honor to the new winery.

We're going to hang it on a wall with a plaque that says 'Our Founder,' said Jack Stuart, the winemaker, who previously worked at Durney Vineyards and the Robert Mondavi Winery.

The Disney interests own about 300 acres (120 hectares), about half planted with vines. The combined investment in the winery and vineyards is estimated at \$8 million to \$10 million. In 1981 Silverado Vineyards

produced 8,000 cases, and production this year will rise to about 18,000, Stuart said. The goal is to reach a volume of 15,000 cases each of estate bottled caberner sauvignon, chardonnay and sauvignon blanc in the next live to seven years.

The three varietals from the sell-made vines already showing the party with proving the sell-made vines already showing the party with proving the sell-made vines already showing the party with proving the sell-made vines already showing the party with proving the sell-made vines already showing the sell-made vines a 1981 vintage tasted recently are well-made wines already showing much promise. The sauvignon blanc displays a smoky aroma typical of that grape and is a big intensely flavored wine with oaky overtones from the French barrels

used for aging.

The chardonnay is also a big wine, with a toasty bouquet in the creamy texture and oaky accents. ft is medium-bodied and high in fruit level, which offsets some of the oakiness. The cabernet sawig-non, also aged-in French oak bar-

rels, exudes an aroma of cassis and is chewy in texture, with an intense flavor of black currents and a long. aftertaste. The sauvignon blanc and the chardonnay will go on the market

this fall or oext spring, but the cabernet sauvignon will not be marketed until the fall of 1984. The Disney wines will carry the Silverado-Vineyards label, and the Disney name will oot appear, Stuart made it clear that the contents of the got ... bottles, rather than the Disney rep otation, would be the basis for marketing the wines.

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their plunging amidst the broken ranks of fish, and rising with

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above the water, the floods of wa-

ter and hlood rushing out of their

mouths and the clouds of vapor

issuing from their wide nostrils.

were truly frightful." Bartram re-ported that alligators sometimes reached a length of 20 feet, a fig-

ure later generations regarded with scepticism until an alligator

was killed in Louisiana that mea-

Alligator was well regarded as food by Prince Achille Murat, a

nephew of Napoleon who, when

Bonapartists became an endan-

gered species in Europe, bought the Magnolia Mound plantation

in Florida and regaled his guests

with alligator steak and alligator-

tail soup. The prince may not have been an infallible guide for gournets, however; he also

served owl, baked or boiled, and

roast crow (but he abandoned

buzzard, which he admitted was

The tail appears as the favored

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